

Melexis

INSPIRED ENGINEERING



ANNUAL REPORT 2022



ON THE COVER: THE HONEY BEE

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

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“Our unwavering focus on innovation keeps on bearing fruit”



Dear shareholder,

2022 was once again a successful year for Melexis, both in terms of revenue and design wins. This goes to show that our unwavering focus on innovation keeps on bearing fruit.

Speaking of innovation, one of the highlights of the year was the opening of our new award-winning site in Sofia, Bulgaria. This state-of-the-art building was designed fully in line with the Melexis spirit: it provides a sustainable and modern workplace that aims to contribute to the well-being of our employees. As COVID-19 measures were gradually relaxed throughout the world, our colleagues were able to reconnect with each other, all the while still being able to enjoy the autonomy and self-determination that come with our hybrid way of working.

On the other hand, we were confronted with many challenges throughout the year, the geopolitical situation being the most impactful on a human level. I am truly in awe of the relentless drive and motivation of our people in Kyiv, who have continued their work to the best of their ability even in the most unimaginable circumstances, and I would like to expressly thank them for their efforts. The solidarity

that their fellow Melexians have shown worldwide is yet another example of how our core values protect us and bring us closer together in difficult times. Indeed, our values are our best vaccine.

Financial performance

In 2022, despite continued supply constraints, Melexis posted a 30% sales increase compared with 2021. These results were positively influenced by content growth, product mix, pricing and currency effects. Our growth was manifestly driven by electrification and a significant increase in body, chassis and safety applications. In the adjacent markets, we observed traction for products supporting digital health. Demand for products supporting all these applications is still soaring, whereas the limited wafer supply continues to necessitate the allocation of the products available.

The Board of Directors approved to propose to the annual shareholders' meeting a total dividend of EUR 3.50 gross per share over the result of 2022.

Supply chain

Ever-increasing electrification and the growing number of comfort and safety applications have led to a significant acceleration of analog IC demand in the automotive industry. On the supply side, the automotive semiconductor industry in general and Melexis in particular rely a lot on mature technologies for the ICs used in mixed signal sensor and driver applications, whereas the vast majority of the global industry investments in 2021 and 2022 focused on the more modern technologies. The latter serve mainly digital processors used for, among other applications, ADAS and infotainment, where Melexis is not active. As a result, Melexis and the automotive supply chain are still impacted by the limited wafer fab capacity.

As the saying goes, there is opportunity in every crisis. If there is one thing the world has learned from the supply chain disruptions in the semiconductor industry, it is that chips are indispensable in today's world. This insight has enabled closer communication with our customers and their customers, as well as increased visibility in the supply chain. Given the mismatch between supply and demand in the automotive market, new ways of contracting have been introduced in our industry over the last two years, namely long-term agreements (LTAs). The main goal of these new market practices is securing volumes and more predictable pricing.

Product launches

In 2022, we launched 16 new products. These included a current sensor that measures voltage, current and

temperature for battery monitoring in electric vehicles; an embedded driver for oil pumps, engine cooling fans and positioning actuators for thermal valves which are crucial in electric vehicles; and a magnetic position sensor offering state-of-the-art sensing for steer-by-wire systems as well as for thermal valves. Also worth mentioning is the launch of Tactaxis™, a fully integrated sensor prototype which improves robots' ability to interact with fragile objects.

Sustainability

Melexis' commitment to a sustainable future is firmly embedded in our strategy. A large part of our product portfolio is designed in service of electrification, as well as the reduction of CO₂ emissions by internal combustion engine vehicles. But our sustainability efforts go beyond the products that we offer: we are intrinsically concerned with our impact in terms of environmental, social and governance (ESG) topics. For example, as you will read in this annual report, after having set a baseline in 2021 we are now working towards reducing our scope 1 and 2 emissions by means of official KPIs.

Our dedication to diversity, inclusion and equal opportunity, passionately advocated by our Chairwoman, Françoise Chombar, has borne fruit since the very beginning. Our gender-diverse and multicultural workforce of no less than 57 nationalities brings with it a myriad of perspectives and lots of creativity, which I am convinced strongly contribute to our innovative mindset and, by extension, the success of our business.



“In the long term, Melexis will keep benefiting from electrification, premiumization and autonomous driving”

Looking forward

Based on our customers' ordering behavior and the ongoing supply chain disruptions, we anticipate that the mismatch between supply and demand will not be resolved in 2023. We continue allocating the available materials across the customer base and working with our partners to further increase overall capacity.

In the long term, Melexis will keep benefiting from trends such as electrification, premiumization (prioritization of premium cars by car manufacturers) and autonomous driving. The need for mobility and the ever-increasing electronic content in cars are the fundamentals of our growth strategy. Our people, our solid financial basis and our focus on innovation, combined with a diverse product

portfolio and a promising end market, bring the necessary ammunition to face short and mid-term geopolitical and macroeconomic challenges. Our accelerated investment in R&D aiming to address new applications and the expansion of our Malaysian facility, doubling its probing capacity, will bolster up the solid long-term demand for Melexis semiconductors. Together with all our stakeholders, we continue working towards a better future, a future that is safe, clean, comfortable and healthy.

Yours sincerely,

Marc Biron
On behalf of the entire Melexis team

MELEXIS INCLUDED IN EURONEXT TECH LEADERS

In June, Euronext launched 'Euronext Tech Leaders', a new initiative highlighting the visibility and attractiveness of high-growth and leading tech companies towards international investors, and included Melexis in its selection of companies. Euronext Tech Leaders is composed of 100+ high-growth and leading companies, each meeting a specific set of criteria to qualify. It complements Euronext's existing Tech offer and aims to strengthen the European tech sector and be a catalyst for the next generation of tech leaders.



2 WHO WE ARE

Melexis is a limited liability company headquartered in Leper, Belgium, and incorporated under Belgian law. Melexis designs, develops, tests and markets advanced innovative integrated semiconductor devices for the automotive industry and many other markets. We sell our products to a wide customer base in Europe, Asia and North America. This introductory chapter provides an organizational profile of Melexis.

2.1 WE ENGINEER THE BEST IMAGINABLE FUTURE

Melexis is a global supplier of microelectronic semiconductor solutions. Our company represents engineering that enables the best imaginable future - a future that is safe, clean, comfortable and healthy. All of these aspects are reflected in the multitude of applications that our technology empowers.

OFFICIAL OPENING OF THE NEW BUILDING IN SOFIA

In June, Melexis officially opened its long-awaited high-tech building in Sofia. Among the many distinguished guests of the opening ceremony were Desislava Boneva (Bulgarian deputy minister of Innovation and growth), Yordanka Fandakova (Mayor of Sofia), Bogdan Bogdanov (executive director of Invest Bulgaria Agency) as well as long-term partners of the company and representatives of Melexis top management. The building is designed according to the latest trends and practices that are aimed at achieving maximum efficiency in terms of the production process and employee comfort. The new facility will undoubtedly contribute to Bulgaria's presence on the European maps of high technology, microelectronic, the automotive industry and innovation.





2.2 OUR SITES WORLDWIDE





MALAYSIA

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

PHILIPPINES

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

KOREA

Melexis Korea Yuhan Hoesa
C-1001 Melexis, Innovaleey
255, Pangyo-ro, Bundang-gu
Seongnam-si, Gyeonggi-do, 13486

JAPAN

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

CHINA

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

Melexis Electronic Technology (Shenzhen) Co., Ltd.
Room 1407, Shenzhen Coastal City West Tower,
Nanshan District, Shenzhen 518054

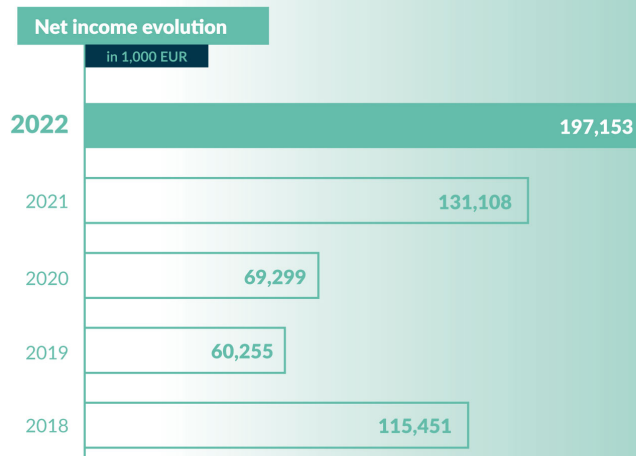
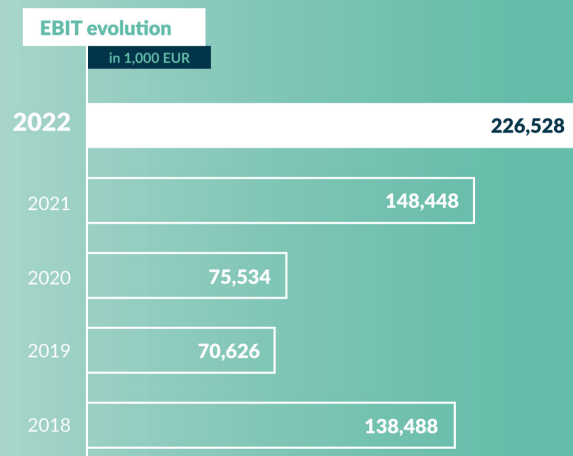
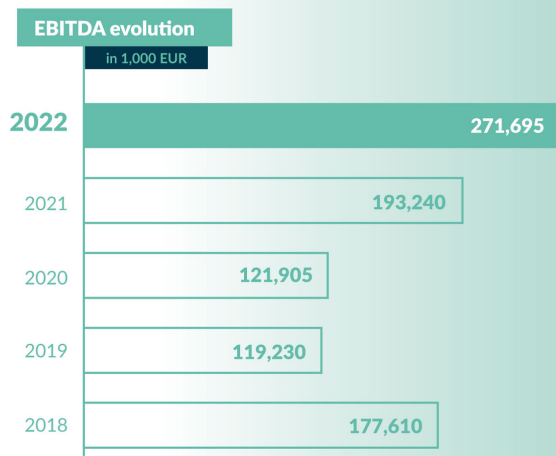
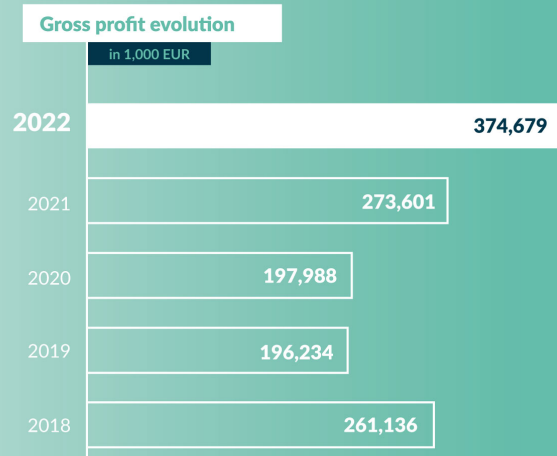
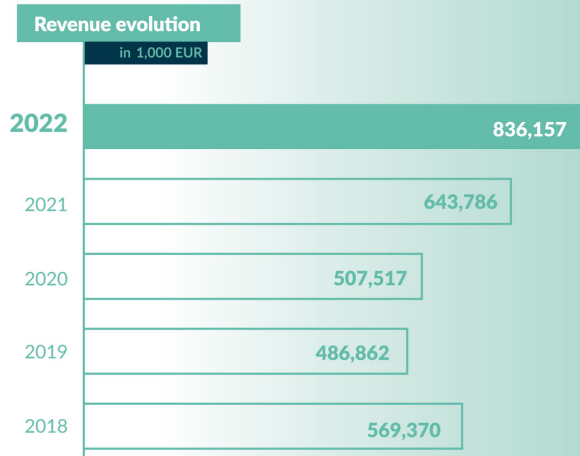
2.3 OUR KEY FIGURES

in 1,000 EUR

Operating results	2018	2019	2020	2021	2022
Revenue	569,370	486,862	507,517	643,786	836,157
Gross profit	261,136	196,234	197,988	273,601	374,679
EBIT	138,488	70,626	75,534	148,448	226,528
EBITDA	177,610	119,230	121,905	193,240	271,695
Net income	115,451	60,255	69,299	131,108	197,153
Balance structure	2018	2019	2020	2021	2022
Shareholders' equity	326,006	299,070	314,776	389,056	482,083
Net indebtedness ¹	418	23,150	6,627	(40,680)	(93,332)
Working capital	139,128	146,127	151,587	179,062	223,785
Cash flow and capital expenditure	2018	2019	2020	2021	2022
Net cash from operating activities	99,079	94,400	95,761	142,232	187,837
Depreciation + amortization	39,122	48,604	46,372	44,792	45,167
Capital expenditure	76,296	26,632	24,835	39,088	39,884
Ratios	2018	2019	2020	2021	2022
ROE	35 %	20 %	22 %	34 %	41 %
Liquidity	3.5	4.4	4.9	4.2	4.6
Solvency	76 %	71 %	73 %	84 %	83 %

We refer to chapter 11 (Glossary) for more information on the underlying calculations of these key figures.

¹ Current definition of net indebtedness and working capital does not include impact from IFRS 16. For more information on IFRS 16, see note 8.9.5.J.



2.4 OUR INDUSTRY ASSOCIATIONS

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

NAME OF THE ASSOCIATION	TYPE OF ASSOCIATION	WEBSITE
AEC-Q100	Industry association	www.aecouncil.com
Agoria - Transport & Mobility Club	Local industry association	www.agoria.be
CAN in Automation (CiA)	Industry association	www.can-cia.org
DGQ	Local quality association	www.dgq.de
EIRMA	Industry association	www.eirma.org
ESIA	Industry association	www.eusemiconductors.eu
IEEE	Professional organization of advanced technology	www.ieee.org
ISELED Alliance	Industry association	www.iseled.com
ISO	Standardization	www.iso.org
MIPI Alliance	Industry association	www.mipi.org
NBN	Standardization	www.nbn.be
Silicon Saxony	Network	www.silicon-saxony.de/netzwerk/verein
VDA	Industry association	www.vda.de
VDE/GMM	Network	www.vde.com
VDI	Industry association	www.vdi.de
ZVEI	Industry association	www.zvei.org



3 WHAT WE DO

3.1 WE DEVELOP CHIPS

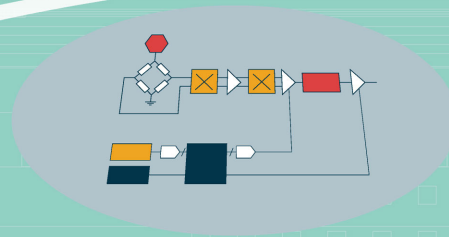
1. DEFINE THE CHIP

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



2. DESIGN THE CHIP

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

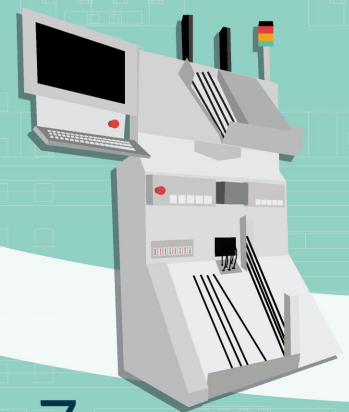


8. CHIPS ARE EVERYWHERE

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

7. TESTING OF THE CHIP

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



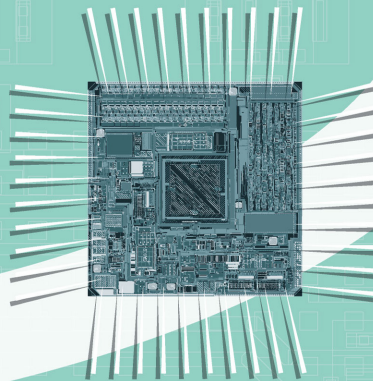
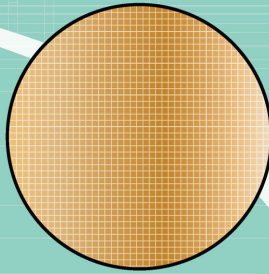
3. LAYOUT OF THE CHIP

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



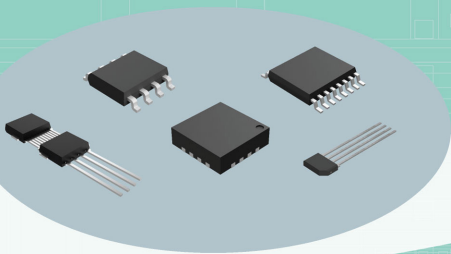
4. MANUFACTURING ON SILICON WAFERS

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



6. PACKAGING OF THE CHIP

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



5. TESTING OF THE WAFERS

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

3.2 WE INNOVATE FOR OUR CUSTOMERS

WE ENABLE EDGE SENSING AND EDGE DRIVING

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

WE CATER TO DIFFERENT SECTORS



Automotive



Alternative mobility



Smart appliances



Smart buildings



Robotics



Energy management



Digital health

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

OUR NEW BUILDING IN SOFIA IS STACKING UP AWARDS

Our new building in Sofia is leading the way as an example for the rest of Bulgaria. Since its opening, the novel site development has garnered a lot of attention and was rewarded with different awards. First, during the b2b Media Annual Awards, the new building won first place in the category 'Creative Office Space'. Then, during the Career Show Awards in September, Melexis reached first place in the category 'Coolest Office'. Finally, in December, the Bulgarian National Building of the Year competition proclaimed our new premises as winner in the categories 'Manufacturing Buildings' and 'Green Buildings - Industrial'. These accolades are a clear sign that Melexis is determined to keep engineering the best imaginable future with our employees front and center.

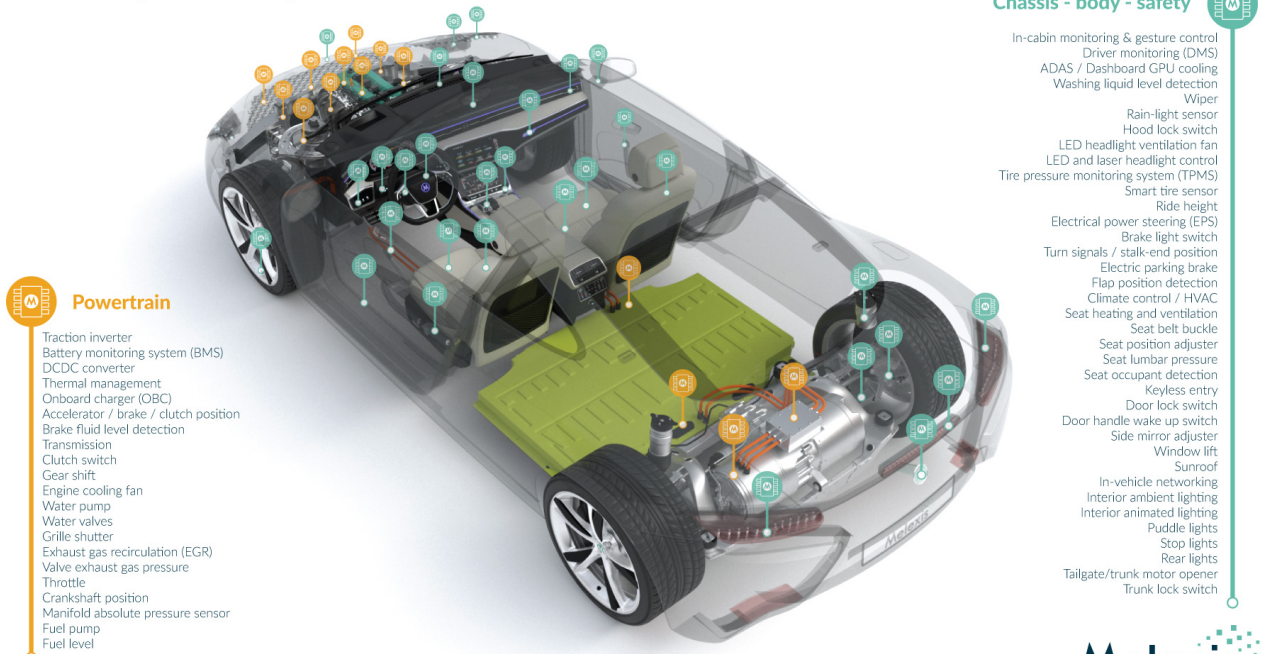


3.3 WE CATER TO MANY DIFFERENT MARKETS



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

18+ chips in every new car



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

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



3.4 OUR SOLUTIONS

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

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

Magnetic position sensor ICs

The effective, accurate and reliable sensing of position is essential to modern vehicles and many other applications. With magnetic sensing and its ability to deliver contactless sensing, innovative advancements such as

Melexis' patented Triaxis® technology allow engineers to solve design challenges in numerous automotive and other applications.

Triaxis® is an innovative magnetic sensor technology (based on the Hall-effect) capable of extremely accurate three-axis magnetic field measurements (Bx, By and Bz) from a single monolithic IC. Using the three magnetic components, two- or three-dimensional sensors that detect rotary (angle), linear (stroke) or joystick-type motion can be created.

One of the many benefits of the technology is that this allows the use of smaller and lower-cost magnets, making it an elegant solution in space- and cost-constrained applications while providing an improved robustness versus mechanical and thermal tolerances.

Melexis magnetic position sensor ICs are used to detect the position of pedals, for modern electric steering systems, advanced electric braking units and various valves in thermal management applications which are essential for the electrification. Other high-volume applications include factory automation, robotics, white goods, PC accessories and game controllers.

MLX90397: A MAGNETOMETER FOR ADJACENT APPLICATIONS

In June, Melexis launched the MLX90397, a three-dimensional magnetometer for cost-effective position sensing. It features a wide supply voltage (1.7 to 3.6 V) which is ideally suited for battery-powered appliances for both consumer and industrial applications. Among the most prominent applications are handheld power tools, gaming consoles, computer peripherals, home automation systems (such as window/door opening detection), energy metering (for anti-tampering purposes) and the controls of domestic appliances.



Standalone 3D position sensor ICs for demanding automotive applications

MAGNETIC POSITION SENSOR ICs

MLX90421/22/23/25/26

Melexis
INNOVATION. EXPERTISE. ENERGY.

SIL READY BY MELEXIS

SFI

MLX9042x SERIES: A LOW-COST POSITION SENSING FOR HARSH AUTOMOTIVE APPLICATIONS

In June, Melexis expanded its portfolio of 3D magnetic position sensing solutions with the introduction of the MLX9042x series. These sensors are intended for cost-conscious automotive customers who need to measure absolute position accurately and safely in harsh and noisy environments over an extended temperature range.

MLX90381: THE WORLD'S FIRST PICO-RESOLVER

In June, Melexis revealed the MLX90381 pico-resolver which is AEC-Q100 and ISO 26262 compliant. The product delivers ease of use and reliability to industrial and automotive applications. Its tiny DFN-6 (2 mm x 2.5 mm) package enables sensed mechatronic miniaturization. The ASIL-ready solution is programmable at module level and is best suited to rotor position detection.

Through shaft

End of shaft

Melexis

3D magnetic resolver IC optimized for robust motor design: smallest footprint, programmable at module level, cost-effective and ASIL-ready.

TRIAXIS® MAGNETIC PICO-RESOLVER

SIL READY BY MELEXIS

Minimal airgap between the sensing spot of the IC and the magnet (1-1.5 mm)

MLX90381

Performance Sensing

SFI

PCB-less dual stacked-die

MAGNETIC POSITION SENSOR IC

MLX90376

Melexis
INNOVATION. EXPERTISE. ENERGY.

SIL READY BY MELEXIS

MLX90376: THE MAGNETIC POSITION SENSOR OF THE FUTURE

In December, Melexis released the new MLX90376, an absolute magnetic position sensor IC that handles 360° rotary automotive applications with strong stray field immunity. Its dual-stacked die PCB-less version is unique in the market. The device supports system integration up to ASIL D level functional safety, offering state-of-the-art sensing for steering and valve applications. Its blend of robustness and performance will be of great value for vehicle electrification. Melexis keeps on raising the bar when it comes to position measurement and this new absolute rotary position sensing device is a real innovation with its unique feature combo.

Current sensor ICs

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

The Melexis current sensor products address a wide range of applications in electric vehicles. With an estimated total of 22 current sensors sockets per EV in 2023, we are making strategic choices to enable the growth for this product line and increase our market share.

Typical applications requiring current sensors in the electrical vehicle are:

- The inverter which transforms direct current (DC) battery current to AC motor current that drives the electric motor
- The on-board charger (OBC) which transforms AC current from the grid to DC current used to power the car
- The DC/DC converter which converts the high-voltage direct current stored in the vehicle's battery to a lower-voltage DC that can be used by the car's various electrical systems
- The battery management system (BMS) which is responsible for monitoring and controlling the battery system to ensure optimal performance, safety and longevity

With our MLX91220 series, Melexis offers a high-speed isolated integrated current sensor for applications such as on-board chargers, in-cable control boxes, AC wall boxes and DC/DC converters. By combining sensing elements, signal conditioning and voltage isolation into a small footprint surface mount package this all-in-one monolithic solution increases performance and lowers design complexity. It is de facto the easiest all-in-one integrated current sensor.

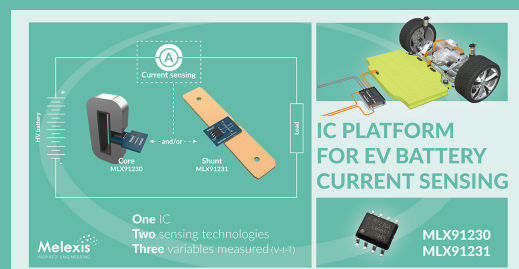
Unlike most current sensors, the MLX91220/21 does not rely on ferromagnetic concentrators. Instead, it uses an internal differential sensing concept to detect the magnetic field that is generated by the integrated primary conductor. This differential concept also provides a high level of stray field immunity, enabling higher density power electronics, as the sensor is less affected by stray magnetic fields in close proximity.

The comprehensive feature integration and design flexibility offered by the MLX91220 and MLX91221 provide customers with a competitive advantage when looking to optimize performance using just one product. To help customers simplify design and benefit from new features, Melexis is continuously developing new technologies to enhance its existing current sensor offering.

By having one product family offering both shunt and Hall-based current sensing, Tier1s can decide which combination is the best fit for each vehicle OEM. They can easily switch from one configuration to the other if requirements change. OEMs can integrate different combinations into their vehicle models. This reusability has the benefit of minimizing the engineering effort.

MLX91230/MLX91231: THE SOLUTION FOR BATTERY CURRENT SENSING

In November, Melexis reinforced its reputation in the automotive current sensing market by announcing the newly developed MLX91230 and the MLX91231. They offer access to shunt or Hall-type current sensor technologies. The ASIL-compliant devices can measure voltage, current and temperature and will provide customers with flexibility and design reusability in their electric vehicle power systems.



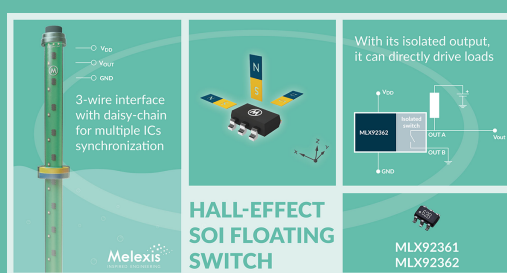


FREE CURRENT SENSOR SIMULATOR LAUNCHED

In July, Melexis released its new current sensor simulator. It simplifies the design and implementation of current-sensing solutions using the company's proprietary IMC-Hall® technology. The free tool enables engineers of all levels of experience to fully leverage IMC-Hall® magnetic sensing technology. It provides them with a fast track to a solution that perfectly matches their application, based on the current range needed and the busbar width. As a result, these sensors have a lot of potential to achieve even greater popularity.

MLX92361/62: FLOATING SWITCHES FOR LEVEL SENSING

To provide better assembly yield and reliability in fluid level measurements, Melexis introduced a unique plug-and-play magnetic switch in June. The isolated floating output of the MLX92362 only requires power to directly drive the load. Hassle-free assembly is guaranteed thanks to CMOS testability, solder reflow and contactless operation. To top all this off, a series of ICs can be synchronized via the same 3-wire interface.



Latch and switch ICs

Latch and switch devices rely on the principles of the Hall-effect too, as the position of a magnet determines the physical position of an object. These on-off switching devices are quite common in a variety of applications, ranging from the automotive (braking, shifter applications, thermal valves and seat belts), to power tools, gaming and even respiratory systems. The Melexis latch and switch sensors use an innovative magnetic technology that allows the measurement of the lateral magnetic flux component. These popular products can be integrated easily into applications that require simplified design and stable magnetic characteristics.

MLX92351/MLX92352: THE MOST VERSATILE DUAL LATCH and SWITCH

In December, Melexis launched the MLX92352, a universal programmable Triaxis® latch and switch that targets relative position and speed sensing. It provides magnetic flexibility and pitch-independent dual outputs that can be set as speed, pulse or direction. With its unmatched electromagnetic compatibility and electrostatic discharge performance, this stand-alone PCB-less device saves space and total module cost for automotive and industrial applications.



Inductive position sensor ICs

Inductive position sensors are used in applications that require very high position-sensing accuracy under the harshest conditions of magnetic stray fields and temperature. Melexis has already been investing in inductive position-sensing IC solutions for more than a decade.

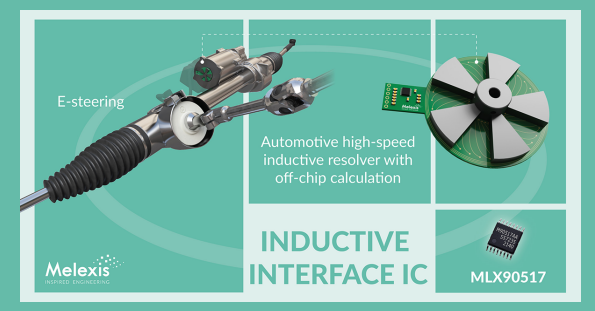
Melexis inductive position sensors are based on an innovative digital architecture that provides excellent accuracy at very high speed and strong immunity to electromagnetic interferences.

Our ASSP product family currently comprises two resolver products specifically designed to address the speed, accuracy and electromagnetic interference robustness requirements of the traction motors of electric vehicles, and electric brake boosters and electric steering systems. As these are safety-critical applications, our inductive resolvers have been developed as ASIL C SEooC (Safety Element out of Context) according to the ISO 26262 standard. Sensors with digital outputs are currently in development.

Melexis extensively supports its customers in the implementation of these sensors by offering detailed sensor design support services.

MLX90517: AN EXPANSION OF OUR HIGH-SPEED INDUCTIVE RESOLVER PORTFOLIO

In December, Melexis added the MLX90517 to its range of inductive resolver ICs. The MLX90517 ensures an accuracy of no less than $\pm 0.36^\circ$ at up to 660,000 e-rpm without the need for any IC programming. The IC can be used for e-motor applications like power steering, traction motors and brake boosters.

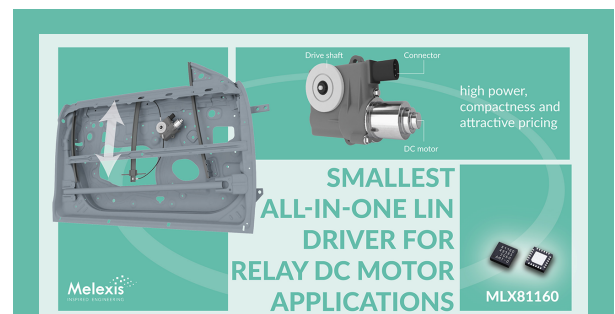


Embedded motor driver ICs

For nearly two decades, Melexis has been providing driver ICs for small motors that target automotive components including flaps, valves, fans and pumps. Our Melexis solutions are well known for enabling system-cost optimization and miniaturized energy-efficient mechatronic systems.

Melexis has developed an entire portfolio of smart drivers and pre-drivers for motors ranging from 1 watt to several kilowatts. These ICs take part of a LIN-bus architecture and drive the electric motor with the support of a position sensor (sensored commutation) or without (sensorless commutation), in the most silent and efficient way, making them an excellent choice for hybrid and electric cars.

Brushless direct current (BLDC) motors can be found in pumps, blowers, fans and positioning actuators. One of the main actuator markets in the automotive sector deals with microactuators used in HVAC systems: these are used to divert airflow and render a car more efficient and comfortable. A smooth and silent operation is one of the most important criteria to ensure the thermal and acoustic comfort of the passengers.



MLX81160: THE SMALLEST ALL-IN-ONE LIN DRIVER TO PROPEL WINDOW LIFTERS

In October, Melexis launched its newest LIN pre-driver IC for relay DC motors. The MLX81160 offers a combination of high power, compactness and attractive pricing. As the latest addition to the company's Gen3 family of compatible embedded motor drivers, the driver is ideal for applications like window regulators.

Additional applications using BLDC motors are multi-way and expansion valves used to control the different flows in thermal management (heating and cooling) system ensuring a comfortable temperature for the cabin and optimal operation of the battery, the electric traction motor(s), and the power electronics; while maximizing the range of electric vehicles.



MLX81346: A PRE-DRIVER FOR MOTOR CONTROL MINIATURIZATION

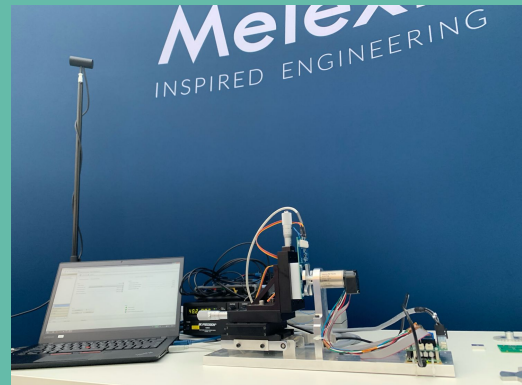
In June, Melexis introduced the MLX81346, a single chip LIN pre-driver for high power up to 2,000 W. The MLX81346 enables motor control miniaturization and efficient silent drive with field-oriented control (FOC). It addresses automotive mechatronic applications in electrified vehicles, including oil pumps, cooling fans and BLDC positioning actuators. The device is also used in robotic systems, e-bikes and e-scooters.

Fan and pump driver ICs

Fan driver ICs control the rotational speed of an electric fan. In electronic modules, various types of fans are used to provide adequate cooling of the circuits and components. Fan controllers are precious as they allow an optimization along the cooling capabilities and the generated commutation noise. Melexis' portfolio comprises patented and state-of-the-art drivers for single phase (one-coil) motors enabling cost-optimized, minimum-sized and whisper-silent cooling solutions for automotive (e.g., cooling of LED headlamps or GPUs controlling the entertainment or ADAS systems) and consumer (e.g., servers, base stations) applications. Those ICs can also control pumps which are used for water-cooling, fuel delivery or home appliance drain systems.

THE 10TH INTERNATIONAL CONFERENCE ON ADVANCED E-MOTOR TECHNOLOGY IN BERLIN

In February, Melexis attended the Advanced E-Motor Technology event in Berlin. At the conference, Melexis showcased its embedded motor drivers through a well-attended presentation for the public and manned an attractive booth with demos.



Pressure sensor ICs

As a unique and leading partner for our automotive customers, we can address all pressure sensor segments with our advanced technologies, be it signal conditioning ICs for high pressure applications, and relative and absolute pressure sensors, both packaged and factory-calibrated for low pressure measurements. We offer plug-and-play solutions with the best-in-class robustness and performances in harsh automotive environment and targeting the latest emission norms. In parallel, Melexis is developing pressure sensors for thermal management systems which are crucial in electric vehicles.

MLX90822/MLX90824: THE MOST ACCURATE PRESSURE SENSOR TO DATE

In November, Melexis launched a new series of PCB-less pressure sensor ICs that deliver the highest degree of accuracy over lifetime. Thanks to this impressive performance, the last generation of internal combustion engines will become greener in all circumstances. The MLX90824 and MLX90822 will help original equipment manufacturers in their relentless search to reduce emissions and counter high fuel prices by lowering fuel consumption. These pressure sensors make sure that cars, trucks and motorcycles comply with the latest emission standards.



Tire monitoring sensor ICs

As one of the most fully featured, ultra-low power tire pressure measurement system (TPMS) solutions available today, the Melexis offering integrates all the electronic subsystems required to develop a high performance TPMS with a minimum of external components. Pressure and acceleration sensors, low-frequency transceiver and radio frequency transmitter circuits are combined with a low power microcontroller in a single tiny form factor package.

Embedded lighting ICs

Our LIN-based RGB LED drivers enable sophisticated yet cost-effective ambient lighting for vehicles from entry-level to mid-range and premium models. The Melexis offering raises the performance bar and lowers the external component count, thanks to the very high electromagnetic compatibility (EMC) robustness achieved by using silicon-on-insulator (SOI) technology and the full system-on-chip integration. Additionally, new products are designed in accordance with ISO 26262 to ease system-level functional-safety certification.

MLX81143: DRIVE UP TO 3000 LEDs AT THE SAME TIME

In October, Melexis welcomed a new member to the MeLiBu® (Melexis light bus) family. The MLX81143 LED driver includes 21 LED drivers and improves the power management of the full system. The MLX81143 has an extremely wide dimming range, enabling optimal brightness adjustment at night and during the day. The MeLiBu® interface allows to drive up to 3,000 LEDs in a car at the same time, while also facilitating dynamic safety warnings and communication with the driver.



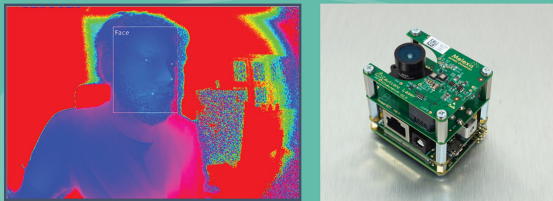
OUR MeLiBu® DEMO CAR STRIKES A POSE AT SIA VISION IN PARIS

In October, Melexis presented its automotive dynamic lighting solutions at the international Société des Ingénieurs de l'Automobile (SIA) Vision Congress in Paris. With our custom-built Renault demo car to display the wide range of possibilities and our exhibition booth with comprehensive demos, we offered the public a clear view on the world of interior lighting with our MeLiBu® LED drivers.



MELEXIS AND MULTICOREWARE PARTNER UP TO BUILD ANTI-SPOOFING AI

MulticoreWare has developed face-understanding AI algorithm modules such as face recognition, distraction and drowsiness detection and anti-spoofing detection, using a Melexis time-of-flight (ToF) evaluation kit. The partnership demonstrates the effectiveness of AI that uses ToF cameras to achieve robust performance for a wide range of efficient and creative in-vehicle applications such as driver authentication, drowsiness detection and driver attentiveness. MulticoreWare illustrates the capacities of Melexis ToFs by using it to identify vehicle drivers. Cheating the system by using pictures to pose as drivers has become impossible.



MULTICOREWARE INC. PARTNERS WITH MELEXIS TO DEVELOP FACE ANTI-SPOOFING AI USING TOF 3D CAMERAS



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

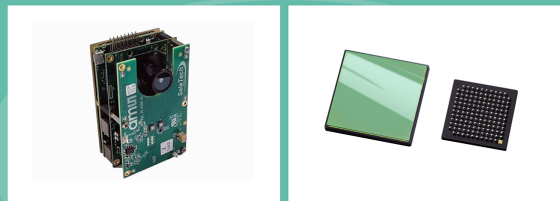
The industry is advancing towards greater levels of autonomous driving in the coming years, but even so the driver will still need to be able to take control in certain circumstances. Real-time monitoring of the driver's attention level, position and movements is therefore crucial. Today, in-cabin monitoring and driver sensing ToF technology is used for gesture recognition. However, the potential scope of ToF goes way further. ToF cameras can map a driver's hands position, head position and upper

body position in 3D to ascertain that the driver is facing the road ahead and has his hands firmly placed on the wheel.

ToF technology has gained new momentum because of additional active safety standards and features required by new car models, going beyond in-cabin use. It is now being evaluated for exterior uses like short-range cocooning because it combines high resolution with accurate depth information at short range, complementing long-range systems such as cameras and radars.

MELEXIS AND AMS OSRAM INTEGRATE EYE SAFETY IN TOF SENSING KITS

In May, Melexis and ams OSRAM announced the integration of the latter's high-performance infrared laser flood illuminator in the most recent automotive time-of-flight (ToF) demonstrator from Melexis. ams OSRAM's vertical-cavity surface-emitting laser (VCSEL) flood illuminator was chosen for the new Melexis ToF evaluation kit and features an integrated eye safety interlock. This provides a more compact, more reliable and faster system implementation than other VCSEL flood illuminators which require an external photodiode and processing circuitry. Once again, a successful partnership takes our products to the next level.

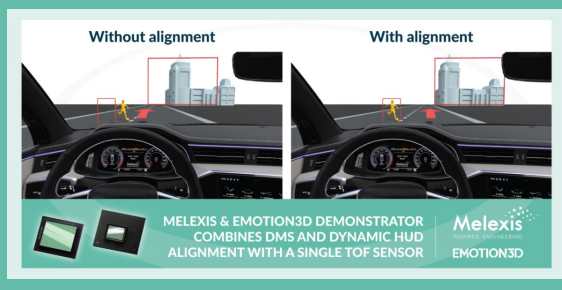


MELEXIS AND AMS OSRAM INTEGRATE EYE SAFETY IN TOF SENSING KITS



MELEXIS AND EMOTION3D COMBINE DMS AND DYNAMIC HUD ALIGNMENT IN ONE SINGLE CAMERA

Melexis and emotion3D joined forces to develop a fascinating demonstrator. The model combines a driver monitoring system (DMS) with high-precision 3D driver localization, in order to dynamically align augmented reality head-up display (AR HUD) objects. The novel DMS covers all basic functions such as driver drowsiness and attention warning but also provides 3D locations of the driver's facial landmarks. These are relevant for an optimal AR HUD user experience as the objects projected by the HUD require precise alignment with real-world objects, following the dynamic position changes of the driver. The demonstrator consists of a camera built around the Melexis MLX75027 ToF sensor and emotion3D's advanced in-cabin analysis software. In May, emotion3D showcased the demonstrator at the AutoSens Detroit event while Melexis did the same at Electronica Munich in November.



Temperature sensor ICs

Temperature sensors can be found in a wide variety of markets and applications. For example in the automotive market, our contactless temperature sensors are used for HVAC control and for temperature monitoring of critical components in the electric powertrain.

They can also be found in smart building applications. People detection with our low resolution (and thus privacy protecting) arrays and room temperature measurement allow smarter building management.

In the medical domain, in-vitro diagnostic equipment (e.g., immunoassay and PCR testers) and forehead thermometers are among the more popular applications.

White goods and small appliances are a natural playground too with temperature being an important parameter in cooking appliances as well as high-end hair dryers. Last but not least, health monitoring wearables are an emerging and growing field. Continuous monitoring of so-called vital signs allows users to get a deeper insight into their health status, ultimately contributing to a more preventive and proactive healthcare system. The world's smallest medical-grade infrared temperature IC (MLX90632) enables smart watch, earbud and smart patch manufacturers to measure skin temperature accurately, which is an important but so far rather hard-to-measure vital sign.

4 WHAT WE STAND FOR

Since its founding more than 30 years ago, Melexis has grown into a company with approximately 1,800 colleagues on three continents, all of whom are passionate about shaping the future and all of whom care deeply about people and planet.

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

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

This chapter outlines our main guiding principles regarding ethics and integrity. It also outlines our commitment to sustainability as it lists our engagement to advancing the United Nations Sustainable Development Goals (SDGs) and our sustainability reporting through the Global Reporting Initiative (GRI) framework.



4.1 OUR GUIDING PRINCIPLES

4.1.1 The Melexis Way

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



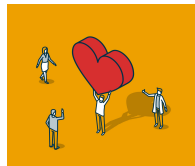
We are on the customer's side

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



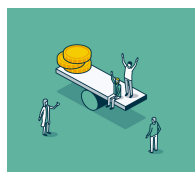
We always have a plan

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



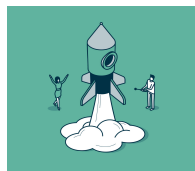
We care

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



We understand the value of money

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



We enjoy the journey towards success

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

4.1.2 The Melexis quality and environmental policy

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

4.1.3 The Melexis Code of Conduct

Melexis has outlined an ethical code of conduct (www.melexis.com/en/investors/corporate-governance/supervision-and-compliance) to provide a clear and

unambiguous reference for expected behavior during business activities. Melexis, our colleagues, the members of our Board and our Executive Management all follow this code of conduct as it sets out the responsibilities Melexis takes on in the workplace and in doing business with its partners. These responsibilities include rules on respect for human rights, anti-corruption and anti-bribery, anti-competitive behavior, health and safety, privacy and on many other crucial topics.

4.1.4 Sustainability at heart

Melexis is dedicated to positively impact and care for our various stakeholders, on an economic, environmental and social level. That is why we embrace two globally recognized sustainability initiatives: the United Nations Sustainable Development Goals (SDGs) and the Global Reporting Initiative (GRI). For more information on our sustainability initiatives, please refer to chapter 6.



5 OUR STRATEGY

The Melexis strategy is to strengthen our position in the automotive industry by maintaining our presence in internal combustion engines (ICE) and chassis-body-safety applications that we already serve today, and to further pioneering innovative solutions in electrification and premium applications. As said, we aim to further boost our footprint in the automotive industry - today, every new car worldwide contains 18+ Melexis chips on average - and to grow in other markets, particularly in alternative mobility and in digital health, data center and telecom infrastructure, and robotics applications. We are equally present in the markets of smart appliances and smart home, building, gaming, industrial and energy applications. Our relentless customer focus, the creation of innovative and compelling products combined with a timely and reliable production process are fundamental to how we do business.

Our strategy is set against several global megatrends. One key trend is an increasing and aging population. Another is that the world, while it must find a way to meet growing demand, also needs to continue the fight against climate change and seek solutions for both CO₂ and power consumption reduction. The call for green products has never been greater than today, a demand that will only increase in the coming years in all markets and impact mobility and energy consumption. The European Green Deal is striving to make Europe the first climate-neutral continent and will pave the way for a better future. Next to that, artificial intelligence and its related technology is triggering more computing power,

more data servers and more connectivity. The geopolitical landscape evolves constantly, as the ongoing trade war between China and the United States of America leads to more deglobalization and growing local competition. Last but definitely not least, the rise of health applications has been pushed forward by the COVID-19 pandemic which highlighted the world population's vulnerability.

These megatrends bring both risks and opportunities for Melexis. The world and its economies need to find solutions to all these major calls for action. We recognize that the pace and path forward is uncertain and will require agile decision-making. We are committed to work together with our global customer base to contribute to the solutions that will enable the best imaginable future for the people and the planet: a future that is sustainable, safe, clean, comfortable and healthy.

The key to our success is our well-matched team of experienced engineers. For the past 30 years, their expertise in application, system and product definition, design and testing of integrated sensing and driving solutions has given Melexis a leading position. Melexis invests substantially in R&D and in its people and will continue to do so. In addition, an energizing mix of team spirit, a shared set of core values and a no-nonsense culture empower our people to offer high-quality, leading technological solutions to customers.

5.1 WE ARE GOING FOR 20 ICs PER CAR

We are evolving together with the automotive industry that is currently at a turning point. Under the hood, an electric motor is supporting or replacing the legacy combustion engine, while the premiumization of vehicles is accelerating. In parallel, the automotive ecosystem welcomes new players with disruptive approaches for the architecture, the development or the manufacturing of car platforms which become software-defined and rely on feature-rich hardware.

Electrification and premiumization are making the component landscape more complex and dynamic. As a partner of choice in the automotive industry, we are focused on developing innovations to enable those transformations. Melexis is also present in other sections of the vehicle, such as the chassis, the body and the safety parts, for which new needs are emerging.

Despite a modest growth in car sales globally, the amount of new electronic solutions being integrated into vehicles is steadily increasing year-over-year. We aspire to put 20 ICs in every new car worldwide in the foreseeable future, spread across various powertrain and chassis-body-safety applications.

As a world leader in automotive semiconductor sensor and driver ICs, we moreover use our core experience in creating chips for vehicle electronics to expand our product portfolio to also meet the needs of smart appliances, smart home and building, health and medical, computing, data center and telecom infrastructures, energy, gaming, alternative e-mobility and various industrial applications.

To further increase our offering to new markets, we have identified areas where Melexis can play a stronger role based on our capabilities and we are now executing exploration projects to enable future product developments.

5.2 THESE APPLICATION TRENDS DRIVE OUR INNOVATION

With a strong focus on our competencies, Melexis caters to our customers' needs today and drives innovations for the future. We choose to operate in those areas where we can make a difference.

5.2.1 Powertrain

Low-emission vehicles (featuring a combustion engine)

The pure internal combustion engine (ICE) is disappearing step by step. A clear transition from mechanical function operations to electric operations has been taking place for years and will continue to do so. Tighter fleet emission regulations in regions such as in China and Europe impose cleaner and greener innovations for the cars which will be produced until the zero-emission regulations are applied globally.

Melexis offers precise and accurate sensor ICs and versatile motor driver ICs contributing to numerous facets of better engine management such as air intake, ignition timing, fuel and exhaust gas management. Melexis solutions enable improved transmissions and the electrification of auxiliary systems such as thermal management, power steering, HVAC, etc.

Hybrid electric vehicles (HEV)

Next to the electrification leading to less mechanical loads and more electric loads, an automatic start-stop system is now well embedded in today's cars, automatically shutting down and restarting the ICE to reduce the amount of time the engine spends idling, thereby reducing fuel consumption and emissions. This is referred to as the first step of hybridization, also known as microhybridization (μ HEV - standard 12 V battery).

The other hybrid electric vehicles are the mild hybrid (mHEV), full hybrid (fHEV) and plug-in hybrid (pHEV, rechargeable). All hybrid powertrains feature a self-charging mode coupled with the braking of the vehicle (regenerative brake).

The electric powertrain (support/assist or drive) is fed from a small-size 48 V battery (mHEV), a mid-size 300-400 V battery (fHEV) or large-size 300-400 V battery (pHEV). The latter is the only one enabling a significant range for a continuous zero-emission drive.

Melexis' magnetic current and position sensors are used by world-leading automotive tiers, in 48 V starter-generators of mHEV and in powerful traction motor inverters of fHEV and pHEV.

The different levels of hybridization allow less and less CO₂ (and the directly linked fuel consumption) and other emissions (e.g., NOx, particulate matters, etc.), with increasing electric power contributing to the motion of the vehicle.

The electric power level and battery size cause thermal management challenges: at least four different areas/systems need to be efficiently thermally regulated (engine, motor and power electronics, battery and cabin), where only two exist in a conventional vehicle (engine and cabin).

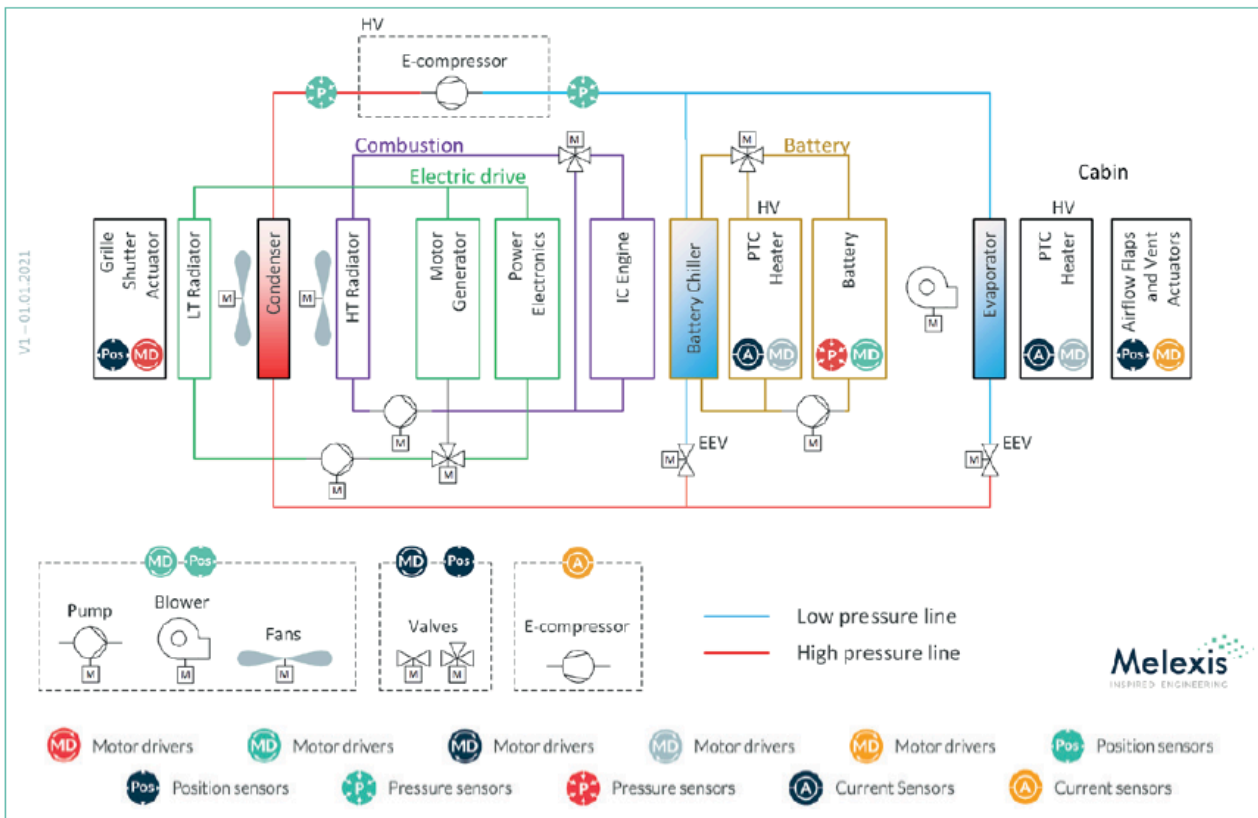
Melexis' motor drivers, magnetic switches, position sensor (magnetic and inductive) and pressure sensor ICs enable the engineering of those complex thermal systems.

9TH GLOBAL HEV THERMAL MANAGEMENT INDUSTRY SUMMIT

Melexis ICs drive the electrification of the automotive industry. To spread the message, in August, our engineers presented smart IC solutions for EV thermal management at the ninth edition of the Global HEV Thermal Management Industry Summit in Suzhou, China. It was yet another successful opportunity to show the Chinese public our clever solutions and their integration into various thermal applications.



Figure - Highlights of the thermal management for a pHEV



Electric vehicles (EV)

We are moving to a world in 2050 where the majority of our vehicles will be 100% electric, producing zero emission while driving. The arrival of pure EVs (featuring battery [BEV] or fuel cells [FCEV]) has led to two paradigm shifts: the only source of energy is electric and the heat is not freely available (as it is around a combustion engine). In addition, both the source of energy and the power electronics are temperature sensitive.

The electric drive range is defined through the efficiency of the electric traction motor(s), the optimized use of power electronics and battery, and the thermal management. Increasing the range is one of the biggest drivers behind technology improvements for electric vehicles.

Melexis' current and position sensors are used in the power electronics (inverter - DC/AC converter) of an electric car and guarantee accurate torque and efficient power management for the traction motor(s). Current sensors are also present on voltage converters (DC/DC) and on-board chargers (AC/DC). Melexis' current and pressure sensors are essential in the battery management system for a performant and safe operation.

As an EV does not generate heat on its own, it requires a wide range of sensors and electric motor drivers to keep

the motor, the power electronics, the battery as well as individual passengers at an ideal temperature whilst using a minimal amount of electric energy.

We are paving the way to play a significant role in all future thermal management needs in cooling and heating systems, both for powertrain components like the battery and the power electronics, as well as for the air conditioning of the cabin.

The thermal management system of the EV is enabled by e.g., smart expansion valves, flaps, fans, blowers, compressors and heaters, which in turn rely on Melexis motor drivers, pressure, temperature and magnetic sensors (current, switches and position sensors). Modern thermal systems are using electronics-rich heat pumps.

Novel products such as smart fuses or contactors are developed involving Melexis current sensors to control the triggering function.

We are just at the beginning of what could be done in this area. Upcoming challenges consist of further optimizing the range, increasing the efficiency of the power electronics, introducing innovative thermal management technologies, enabling cost optimization, securing supply chain resource availability and ensuring an efficient charging and recycling eco-system.

Figure - CO₂ emission reduction vs. hybridization electric power

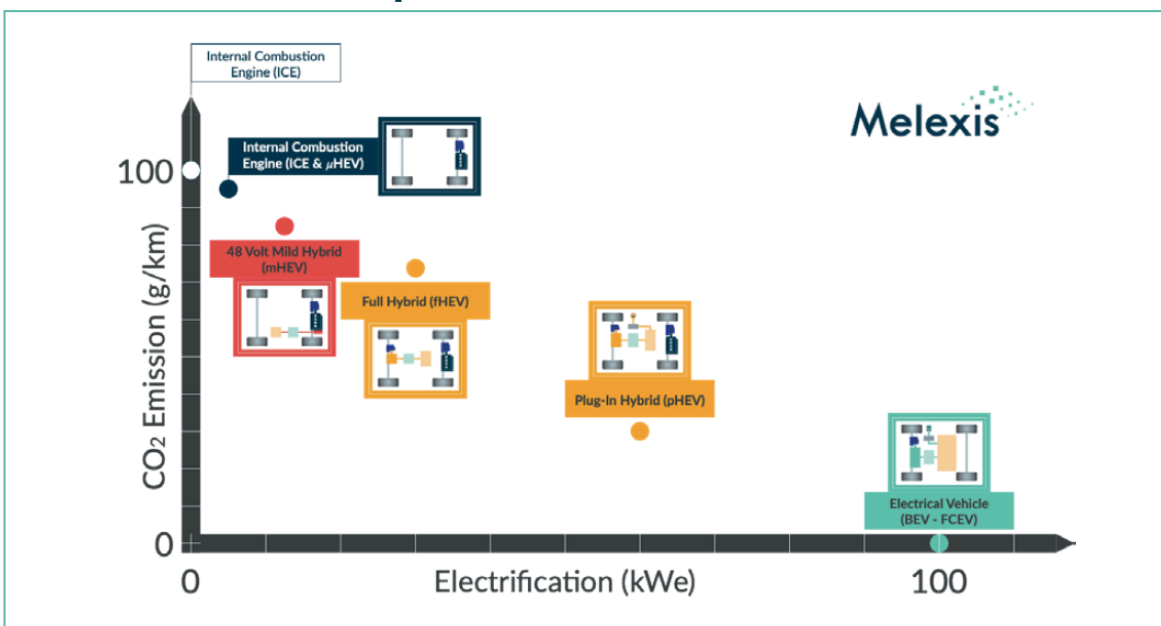
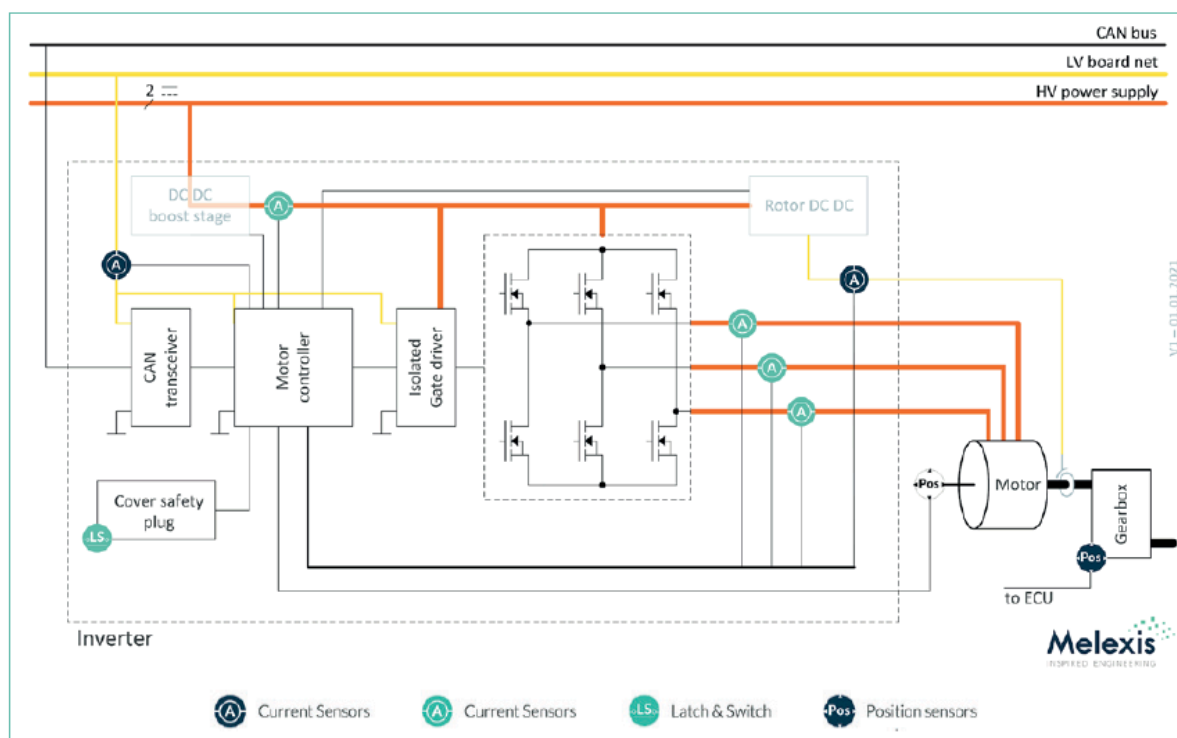


Figure - Highlights of the inverter for an EV



5.2.2 Chassis-body-safety

Regardless of the powertrain type (ICE, HEV or EV), today's vehicles display countless features relying on electronic components such as sensors, motor drivers and transceivers.

Introduced on the high-end models, they quickly become optional and then standard equipment on mid-range and low-end models.

Melexis is a key contributor to the technology innovation and to the premiumization in the chassis-body-safety segment. We have taken a pioneering role in the development and evolution of many new applications, leading to improved on-board comfort, driving pleasure and safety. Included in the many new and traditional applications are networked lighting and gesture control.

Networked lighting (interior/external)

Light has long been allied with comfort, due to its strong influence on a person's emotions: warm colors can induce passion while cold colors can bring calm. Light has an ever-increasing role to play in the communication of information. We are all familiar with lights that warn of a hazard or emergency. With the arrival of autonomous driving, this aspect of lighting is likely to intensify. Typical examples are when the driver is using headphones, or is

engaged in a telephone conversation. In such cases, the interior suddenly changing to red could alert the driver to take control of the car.

Melexis already has considerable experience in the development of LIN-based RGB LED automotive systems for ambient interior lighting (static). To address the challenges of smart animated (dynamic) lighting, we developed and trademarked Melexis Light Bus (MeLiBu®). It combines the best of LIN and CAN: the easily usable, extendable protocol and hardware architecture of LIN with the speed and robust communication system of CAN. MeLiBu® ensures the seamless integration of LED systems from different tier suppliers, as well as different application cases.

Next to our leadership in interior automotive lighting, Melexis serves the automotive rear-lighting for which the implementation of novel and stylish design can benefit from a similar technical approach.

On-board comfort

The HVAC systems equip nearly all cars today. The modern implementation features a modular approach for diffusing the air flow (multi-zone) combined with low-noise and efficient blowers to not disturb the quiet

electric mode of the hybrid or electric vehicles. This is valid for the main unit and also the units mounted in the seats for even more comfort.

Motor drivers for flaps, fans and blowers as well as pressure and temperature sensors represent Melexis' contribution to the on-board comfort beyond the interior lighting applications mentioned previously.

Further developments for HEVs or EVs target electric compressors (i.e. decoupled from the engine) and, as mentioned earlier, consider the cabin HVAC as part of the larger thermal management system.

Gesture control and interior monitoring

With automation on the rise, interior safety is becoming even more important than before. A time-of-flight (ToF) system is capable of understanding subtle human gestures as well as the shape, size and behavior of objects and people inside a car. It enables drivers to operate the infotainment (radio, phone calls, etc.) and the HVAC systems, using simple gestures without taking their eyes off the road. The sensor can also improve safety, for example through monitoring driver behavior, head pose, body pose, as well as hands-on-wheel detection and advanced seat belt detection.

Driver-vehicle interface

Melexis also serves more common ways of translating driver's demand into action at the vehicle level. Those interfaces include pedal position sensors (magnetic and inductive) for the accelerator and brake pedals (both remain key for EVs as they enable the one-pedal driving mode and the regenerative brake), shifter position sensors selecting the operation mode of the transmission and steering angle and steering torque sensors (magnetic and inductive), enabling electric power steering and vehicle stability applications.

The Melexis miniature magnetic position sensors are used in a novel concept of top-column module (behind the steering wheel) to measure the position of the stalks in a contactless fashion, no longer using mechanical switches.

Other

To complete the body applications, there is an intake of sockets driven from additional electrification of some functions (e.g., electrically retractable door handles or telematics and 5G antenna cooling) and further improvements of others already electrified (e.g., window-lift, sunroof, power tailgate, door lock, wiper, mirrors, seat, keyless entry, ECU cooling, etc.).

This all fuels demand for magnetic and inductive position sensors, magnetic switches, optical sensors and motor drivers.

Chassis

The chassis applications represent a stable available market for Melexis. Braking innovations associated with the HEVs and EVs, such as regenerative brake or integrated power brake, open new sensor opportunities for Melexis. Moreover, aerodynamics innovations, such as retractable air dams or rear spoilers, create business opportunities in terms of motor drivers.

Next to the vehicle height position sensors (magnetic and inductive), Melexis supports systems like active roll stabilization or active suspension still reserved to the high-end segments (in combination with the hybridization).

Melexis continues to deliver tire pressure monitoring sensors (TPMS).

Passive safety

Melexis' leadership is recognized for innovative magnetic solutions addressing the contactless seat belt buckle requirements.

5.2.3 Additional application trends that drive our innovations

Temperature control applications

As we become more conscious of our health and our environment, temperature sensing is becoming increasingly relevant. As a result, it is a function now being added to many fitness and health monitoring devices in the form of medical body thermometers, point-of-care equipment and smart wearable devices.

This technology is also integrated in smart buildings for access control, dynamic HVAC and lighting control systems, and also in smart appliances. The Melexis non-contact temperature sensing solutions are used in a number of medical applications. Further developments are ongoing to capture the growth for health and medical applications.

Motion control

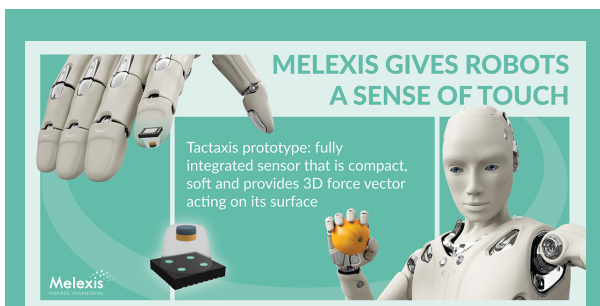
The use of robotics continues to advance, expand and evolve at a rapid pace and in many different environments: industrial robots (quality improvements and productivity increase with decreasing costs), cobots (collaborative robots increasing safety for employees)

and humanoid robots (human-mirrored senses and motions) are the witnesses of this trend.

Melexis aims to play an important role in this emerging market by providing, among others, sensors and motor drivers for motion control.

Sense of touch

Furthermore, Melexis has the ambition to provide the sense of touch to the cobots and humanoids. The patented Tactaxis™ technology is the outcome of an innovation initiative linking our magnetic sensing know-how with an advanced package featuring a magnet embedded into an elastomer.



TACTAXIS™, A UNIQUE TACTILE SENSOR FOR ROBOTS

In February, Melexis presented a major innovation pivoting from our Triaxis® technology that improves a robot's ability to interact with fragile or diverse objects. As it so happens, we unveiled Tactaxis™, a fully integrated tactile sensor that is compact, soft and provides a 3D force vector acting on its surface. This improves a robot's hands and grippers, making delicate operations such as fruit picking possible. The technology has successfully been implemented in a functioning prototype, which understandably generated a lot of media attention. Clearly, this innovation is right up the alley of the robotic market needs.

Cooling management

In our hyperconnected world, driven by cloud data storing and computing (e.g., artificial intelligence or AI) through wireless telecommunication (e.g., 5G), the required systems are getting more complex and faster, with more loads and processes that are power draining.

Today, Melexis supports the cooling needs and delivers ICs for robust and high-efficiency fans used for processing units (CPUs/GPUs) in computing servers, data centers, base stations and game consoles. Similar

products are also used for home appliances (e.g., in refrigerators).

Future solutions are currently being developed to address the continuously growing need for efficient thermal and power management systems.

Alternative transportation

Our acquaintance with the automotive industry is an opportunity for Melexis to explore other applications related to mobility as it is undisputed that mobility needs and habits are changing and will continue to evolve. At Melexis, alternative transportation covers, among others, motorcycles (with ICE), electric motorcycles, e-bikes, robotaxis, and also drones (e.g. eVTOL), air taxis or automated guided vehicles (AGVs). The need for low-emission or clean electric mobility drives innovations which can be addressed by Melexis' products (dedicated or derived from our automotive portfolio) and which, combined with the expected market growth, represent a substantial business potential.

For low-emission motorcycles, the key products are motor drivers (for fuel pumps), magnetic switches (for speed sensing), pressure sensors (for optimized engine management) and position sensors (for engine management and throttle control).

In case of zero-emission electric mobility, the current and position sensors are instrumental to control the traction motor and sense the actual cyclist demand (torque measurement for the pedal assist, pedaling cadence).



TACTAXIS™ GARNERS LOTS OF ATTENTION AT THE US ICRA 2022

In May, Melexis attended ICRA 2022, the IEEE international conference on robotics and automation in Philadelphia (USA). During this event, our colleagues presented our innovative Tactaxis™ solution to more than 8,000 interested visitors from 97 countries.

Energy management and monitoring

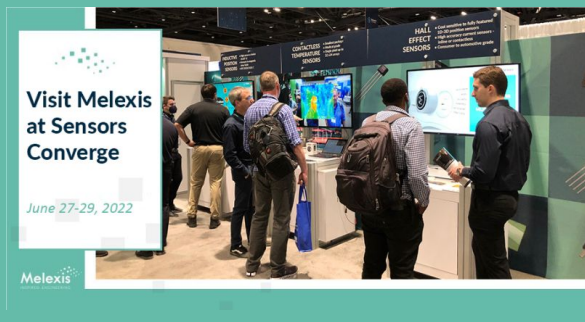
A clean environment calls for clean energy, such as solar energy, for which Melexis has a portfolio of current sensors to address the different sensing needs on those systems (e.g., input current measurement in solar panels, residential inverter, uninterruptible power supply, battery monitoring and overcurrent, etc.).

User interface

Melexis enables great gaming experiences through the controllers (e.g., joystick, steering wheels, pedals, etc.) or an innovative positioning system for pawns on an interactive board. Those applications are made possible by Melexis' magnetic switches and position sensors. Similar products are also found on computer peripheral devices.

SENSORS CONVERGE IN SAN JOSE

In June, Melexis participated once again at the Sensors Converge event in San Jose (USA). Sensors Converge has evolved over nearly four decades from an event focusing solely on sensor technology to a larger and more diversified event focusing on electronics technologies and embedded systems that work hand-in-hand with sensors. As North America's largest electronics event for design engineers, combining education, networking opportunities and training, it stands to reason that Melexis attended the event.



5.3 WE FOCUS ON ASSPs AND ASICs

More than 70% of our developments stem from own initiatives and are created independently, from within Melexis. We call these our ASSPs or application-specific standard products and sell them to multiple customers in a variety of markets.

Our ASSPs are our intellectual property that we share for the benefit of our customers. This approach is one of the key building blocks for our future growth. In addition, we offer programmable functionalities allowing customers to

adapt the basic chip comprising our technology to their specific needs in a flexible manner.

When it comes to our ASICs or custom-made application-specific integrated circuits, customers have every reason to put their trust in our mixed-signal ICs. At Melexis, the latter include not only analog and digital but also sensing capabilities. Moreover, we pride ourselves on offering more than just a finished and tested component based on the customer's block diagram. The responsible teams partner up with customers to design, develop and deliver the most suitable ASIC solution for their needs.

5.4 WE WANT TO BE OUR CUSTOMERS' PARTNER OF CHOICE

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

GLOWING PRESENCE AT ELECTRONICA MUNICH

In November, as always, Melexis attended Electronica Munich, the biggest bi-annual electronic components, systems and applications event in Europe. With different demos in an impressive, attractive 100 square meter booth, Melexis presented both its automotive and adjacent solutions to a large audience. The event generated countless leads which are now being followed up.



With our annual sustainability report, based on the Global Reporting Initiative (GRI) Standards, Melexis endeavors to enable accountability and transparency regarding our company's sustainability efforts. In the following subchapters, various material topics with regard to sustainability are covered. Unless otherwise specified, the disclosed information refers to the 2022 fiscal year and is valid for the whole organization.

6.1 OUR KEY MATERIAL TOPICS AND CONCERNS

6.1.1 The Sustainable Development Goals

Adopted by all its member states, the UN has developed 17 Sustainable Development Goals (SDGs) as the blueprint to achieve a better and more sustainable future for all. The SDGs address the global challenges we face, including those related to poverty, inequality, climate change, environmental degradation, peace and justice².



SDG 13: Climate action

- Our sustainable mobility-focusing products
- Fuel efficiency
- Emissions to air
- CO₂ reduction contributions
- Shift to electric vehicles
- Shared mobility



SDG 12: Responsible consumption and production

- Responsible supply chain
- Energy use
- Business ethics, human rights, child labor
- Product quality and safety
- Product lifecycle
- Conflict minerals



SDG 8: Decent work and economic growth

- Development of people
- Retention
- Employee health and safety



SDG 3: Good health and well-being

- Our health-focusing products



SDG 9: Industry, innovation and infrastructure

- Continuous innovation
- Intellectual property
- Responsible supply chain



SDG 5: Gender equality

- Diversity and inclusivity
- STEM initiatives, with special attention to female representation

² www.un.org/sustainabledevelopment/sustainable-development-goals/

Following a compelling materiality workshop that included all internal key representatives and departments, Melexis has defined the SDG topics that are material to our company and stakeholders as illustrated in the image above. As we have a significant or major impact on the following SDGs, we will support these with dedicated company initiatives.

6.1.2 The GRI Standards

The Global Reporting Initiative (GRI) Standards help organizations to determine their material impact on the economy, environment and society. Its sustainability reporting framework increases accountability and enhances transparency regarding an organization's contribution to sustainable development.

For some years now, Melexis has been reporting in line with the GRI Standards. Following several internal stakeholder workshops within our company, Melexis has identified the relevant material GRI topics as seen in the table to the right and reports on them throughout this annual report.

Fully in line with the Belgian law of 3 September 2017 (detailing the publication of non-financial information and information regarding diversity by large companies and

groups), we will continue to report our sustainability efforts in accordance with the GRI Standards: Core option.

This chapter reports on all these material topics. For easy referencing, please refer to chapter 13 for our GRI content index.

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

6.2 OUR STAKEHOLDER ENGAGEMENT

Melexis takes nothing for granted, be it our people, our partners, our customers, the planet or its resources. An open dialogue with various yet equally important stakeholders is essential in order to continuously improve overall sustainability.

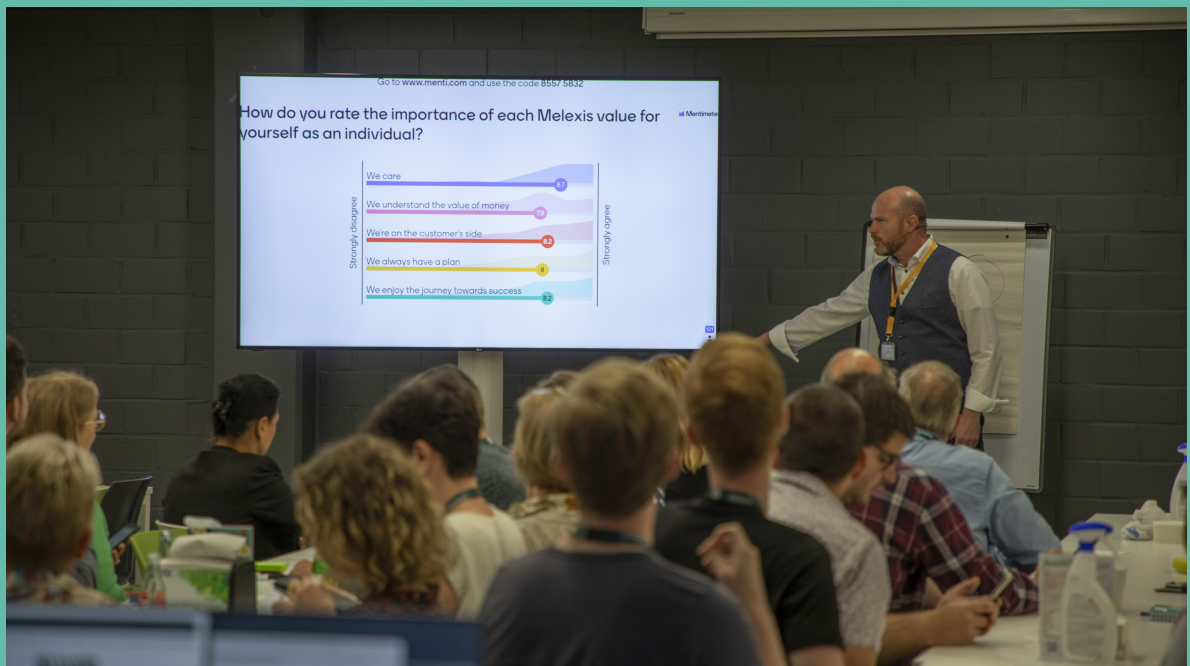
Our stakeholders are those people whom Melexis has an influence on or who have an influence on Melexis, including customers, shareholders, suppliers, distributors, representatives and neighbors. They deserve the utmost integrity, honesty and fairness in all their interactions with our company and we make sure to respond adequately to their reasonable expectations and interests.

By communicating with our stakeholders through all means possible, Melexis works hard to stay in touch, maintain the long-standing trust in our company and ensure our continuous day-to-day operational management.

The following table lists our stakeholders, their respective concerns and interests and the different communication channels we use to respond to them.

BUSINESS COMMUNICATION TOURS, BACK ON TRACK!

In 2022, all Melexians were able to meet members of the Executive Management team and have their voices heard once again as the popular business communication tours started afresh. During these visits to all sites, Melexians received strategic company information but were also spurred on to discuss many themes during meetings. Resulting from their invaluable feedback, a lot of useful ideas for improvement were collected, analyzed and acted upon. Topics on a local level will be dealt with locally but most of the company-wide suggestions focused on the way of collaborating and communicating in a growing company, the demand for improved automation and tools integration and a better facilitation of personal growth and development. Based upon the feedback, initiatives that will be launched include amongst others the Melexis Finder, an AI-based search engine, a personal growth plan for each Melexian and the cultivation of a culture of recognition and appreciation. More initiatives will undoubtedly follow suit and help co-create an even better work environment.



OUR STAKEHOLDERS	THEY CARE ABOUT	WE COMMUNICATE VIA
Our customers	<ul style="list-style-type: none"> • Product quality, safety and lifecycle • The greenification trend, fully embedded in society and with their customers • Health and medical applications • Responsible supply chain and conflict minerals • Business ethics and customer privacy 	<ul style="list-style-type: none"> • Annual customer audits and business reviews • Annual strategic technology roadmaps • Regular sales meetings with key customers • 24/7 technical support hotline • Technical interface engineers • Weekly social media posts • Monthly press releases • Monthly events • Brochures and product sheets • Letters, e-mail, phone and social media
Our colleagues	<ul style="list-style-type: none"> • The greenification trend, fully embedded in society • Development and retention • Diversity and migrant workers • Safety, health and well-being • STEM and community involvement 	<ul style="list-style-type: none"> • Monthly internal company newsletters • Quarterly internal information meetings • Business communication tours at all sites • Regular team meetings • Employee values program • Regular leadership communications • People surveys • Global employee performance excellence system • Global intranet • Social media and website
Our investors	<ul style="list-style-type: none"> • The greenification trend and the shift towards electric vehicles • Continuous innovation and intellectual property • Responsible supply chain (conflict minerals) • Business ethics and customer privacy 	<ul style="list-style-type: none"> • Annual shareholders meetings • Quarterly reports • Annual report • Regular analyst meetings • Investor relations press releases • Yearly financial statements • Weekly social media posts
Our suppliers	<ul style="list-style-type: none"> • Product quality, safety and lifecycle • Continuous innovation and intellectual property • Responsible supply chain and conflict minerals • Business ethics and customer privacy 	<ul style="list-style-type: none"> • Supplier audits and business reviews • Regular supplier meetings • Weekly social media posts • Supplier assessment
Our communities	<ul style="list-style-type: none"> • STEM involvement • Community involvement • Health and safety • Materials and energy use 	<ul style="list-style-type: none"> • Industry associations • Corporate social responsibility activities • Trade fairs • Weekly social media posts • Regular press releases

6.3 OUR TALENTS

People are not only the most important assets in our company, they ARE our company. Our HR approach builds upon the principles of the self-determination theory: autonomy, relatedness and competence. These three universal and innate psychological needs are seen in humanity across time, gender and culture. They are essential to the psychological health, well-being and growth of any individual. In this chapter, we outline our human resources approach.

6.3.1 Our employment statistics

By employment type: employee statistics on 31.12.2022

At year's end in 2022, Melexis was made up of 1,865 employees: 1,730 Melexians worked full-time and 97 Melexians worked part-time. The minimal increase in inactive employees from 24 to 38 is caused by slightly more maternity leaves, long-term sickness and paternal leaves.

	EMPLOYMENT TYPE					
	Full-time		Part-time		Currently inactive (thematical leave)	
Region	Absolute #	Percentage	Absolute #	Percentage	Absolute #	Percentage
APAC						
Female	33	100%	0	0%	0	0%
Male	54	100%	0	0%	0	0%
EMEA						
Female	517	86%	55	9%	32	5%
Male	1,107	96%	41	3.6%	6	0.5%
NALA						
Female	6	100%	0	0%	0	0%
Male	13	93%	1	7%	0	0%
Female count	556	86%	55	9%	32	5%
Male count	1,174	96.1%	42	3.4%	6	0.5%
Total 2022	1,730	93%	97	5%	38	2%
Total 2021	1,515	93%	89	5%	24	1%

By new hires: employee statistics on 31.12.2022

Region	AGE						Total absolute #
	<35		35-55		>55		
	Absolute #	Percentage	Absolute #	Percentage	Absolute #	Percentage	
APAC							
Female	2	50%	2	50%	0	0%	4
Male	3	27%	8	73%	0	0%	11
EMEA							
Female	87	44%	96	48%	15	8%	198
Male	179	57%	111	35%	23	7%	313
NALA							
Female	0	0%	1	100%	0	0%	1
Male	1	33%	0	0%	2	67%	3
Female count	89	44%	99	49%	15	7%	203
Male count	183	56%	119	36%	25	8%	327
Total 2022	272	51%	218	41%	40	8%	530
Total 2021	197	54%	146	40%	19	5%	362

In 2022, we welcomed 530 new Melexians, an increase from last year's 362 new hires. To keep up with our ever-growing business needs and to venture into adjacent markets, Melexis actively manages to find diverse talent reinforcing our teams, by promoting the upskilling and reskilling of internal talent, while also increasing the volume and variety of our external job vacancies.

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

JOB DAYS, ANOTHER WAY TO ATTRACT MUCH-NEEDED TALENT

In 2022, the Melexis sites of Ieper and Sofia both organized job days that clearly appealed to a broad audience of sought-after profiles, such as operators and technicians. Following a presentation on our company, open vacancies and useful HR information, potential candidates are taken on a tailor-made tour around the site production areas. As they walk into the innovative, technological and green world of Melexis and meet possible future colleagues, candidates who are interested can immediately take a job interview and maybe even walk home with a new job. Resulting in quite a few new hires, the successful formula clearly proves to be complementing our HR hiring strategy and enhances our visibility in the labor market.

In order to keep rejuvenating our workforce and attract young graduates, Melexis also strongly focuses on job fairs, university networking and collaboration activities. They provide ample opportunities to showcase our innovative solutions for sustainable mobility, now and in the future, a message that is not lost on the upcoming generation of young professionals. Following the favorable results of our dedicated Fresh Graduates Program in Bulgaria in 2021, we decided to expand the program globally and attributed additional funds and time. As a result, a full-time employee has now been appointed to strengthen ties between our business units and academic institutions even further.

By retention: employee statistics on 31.12.2022

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

Below table shows Melexis' employee turnover rate. Our turnover definition includes terminations, resignations and retirements.

In comparison to 2021, our overall retention rate decreased from 86.95% to 83.86%. The main reason is the high turnover in operators and other profiles working in shift patterns in our Bulgarian site in Sofia, due to the challenges we faced with the fast expansion in our new facilities. Appropriate action was taken which we expect to result in improved retention rates in 2023. The retention rate for our fixed (or desk) positions stands at a healthy 92.3%, a slight improvement compared to 2021.

EMPLOYEE TURNOVER (permanent employees only) in 2022, by region, age and gender							
Region	AGE						Total absolute #
	<35		35-55		>55		
	Absolute #	Percentage	Absolute #	Percentage	Absolute #	Percentage	
APAC							
Female	0	0%	1	100%	0	0%	1
Male	0	0%	2	100%	0	0%	2
EMEA							
Female	29	27%	62	58%	15	14%	106
Male	76	50%	62	41%	14	9%	152
NALA							
Female	0	0%	0	0%	0	0%	0
Male	0	0%	0	0%	0	0%	0
Female count	29	27%	63	59%	15	14%	107
Male count	76	49%	64	42%	14	9%	154
Total 2022	105	40%	127	49%	29	11%	261
Total 2021	97	50%	80	41%	17	9%	194

Employee benefits

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

Melexis respects the well-being of its colleagues and wants to stand out as a preferred place to work. That is why Melexis offers its colleagues more benefits than is legally required. These benefits may include, among others: parental leave (for both partners), flexible working hours, remote working, development opportunities, additional health / pension / life insurance, benefit passes, meal vouchers, etc. All benefits standard to full-time employees are also applicable to part-time employees and employees with an employment agreement of determined duration.

Over the last years, and in line with our company values, increased focus is given to health and well-being programs, medical coverage plans, accident coverage and retirement and disability plans.

Our people increasingly value Melexis' attention towards life balance as part of their employment value proposition, such as flexible working hours and teleworking. Teleworking opportunities have become a staple in the hybrid way of working. Apart from offering a higher degree of flexibility and attracting more women to the workforce, remote working provides employees with a much appreciated higher degree of autonomy.

Melexis does not offer compensation in the form of Melexis shares as we strongly believe in the self-determination theory (Edward L. Deci and Richard M. Ryan, psychologists at the University of Rochester), arguing that contingent rewards can have detrimental effects on intrinsic motivation, creativity and innovation.

Within Melexis, we focus on intrinsic value creation for the company; the share price is a result thereof. The financial numbers which impact the level of the business component of the variable remuneration, i.e. revenue growth and EBIT growth, are important elements driving the valuation of the company. As such, we believe there is a clear alignment between shareholders on the one hand and the Melexis community on the other.

Parental leave

132 Melexians have taken parental leave over the course of 2022. The below table lists parental leave (based on each country's local definition of parental leave) but does not include pregnancy or birth leave. It is worthwhile noting that both female and male Melexians take up their

parental roles. In turn, the high parental leave numbers of the EMEA region may partly be explained by Europe's stimulating parenting legislation. In 2022, we noted an encouraging shift in which more EMEA female Melexians are taking up part-time parental leave (54%) then the ones who take up full-time (46%). This is most probably explained by our attention towards life balance. As flexible working hours and teleworking have become a staple in our hybrid way of working, they offer a higher degree of flexibility and autonomy, a much appreciated option for new parents that allows them to combine parenthood with part-time work.

Melexis also frequently goes beyond what is legally required and has, for example, facilitated and expanded pregnancy leave for our US employees. We also aim to provide additional facilities for new mothers, such as lactation rooms.

Region	PARENTAL LEAVE IN 2022				Total absolute #
	Full-time		Part-time		
	Absolute #	Percentage	Absolute #	Percentage	
APAC					
Female	0	0	0	0%	0
Male	1	100%	0	0%	1
EMEA					
Female	28	46%	33	54%	61
Male	51	73%	19	27%	70
NALA					
Female	0	0%	0	0%	0
Male	0	0%	0	0%	0
Female count	28	46%	33	54%	61
Male count	52	73%	19	27%	71
Total 2022	80	61%	52	39%	132
Total 2021	63	64%	36	36%	99

6.3.2 Training and education

Melexis is thriving as a company because of the competencies, skills, motivation and goal-getting attitude of its people. We invest unwaveringly in learning and development because it is rewarding for Melexians and critical for our growth in a high-tech, innovative environment. We are proud of our continuous learning and coaching culture and nurture it every day. We listen to our people and focus on acquiring technical knowledge and managerial people skills that are critical to support our business, today and in the future.

Onboarding programs

When joining Melexis or taking up a new position, a structured onboarding program facilitates a colleague's smooth integration. With its worldwide onboarding program, 'Melexis OnBoard', Melexis ensures that new Melexians are oriented, integrated and delivering results as efficiently, effectively and energetically as possible. The Melexis University serves as the central platform for all relevant content. Once new hires are on board, they can expect global, competence-based programs and career pathing.

Acquiring strategic training and development needs

Strategic training and development needs are based on business strategy on a global, functional and local level. Learning at Melexis happens every day on the job, where colleagues inspire and coach each other. Self-paced learning is also in the heart of the Melexians.

On top of our active emphasis on on-the-job and self-paced learning, formal training is offered through (online) classroom-trainings, workshops, intervention sessions and e-learnings. In 2022, we logged 131,613 hours of training. These include a mix of readily available online courses on the Melexis University platform, blended learning and peer training. In addition to our internal programs, we invested EUR 1,064,962 in training sessions provided by external parties.

As always, 100% of our colleagues received their yearly or twice-yearly performance and career development review in 2022. In our digital talent center, team leaders and managers find easy and uniform guiding tools and processes to review their team members while individual colleagues can access their individual objectives and review on the same platform.

Focus on coaching and communication

We develop a solid internal coaching culture by providing opportunities to follow practical training, called Coaching Essentials, to team leads and all white-collar employees. We also create internal coaching champions who study to obtain the internationally-recognized ICF coaching certification. They can then promote coaching throughout the organization and act as internal coaches for employees. To optimize teamwork, internal communication and collaborations with clients, partners and suppliers, we also provide a number of programs that are aimed at improving the communication skills of our employees and facilitate understanding between various personality and behavior types. These programs are

provided globally, functionally, and locally based on employee needs.

Leadership development is key

As team leaders at Melexis play a crucial role, leadership development remains an important focus area. Leaders have a significant impact on our business: they stimulate employee productivity, engagement, customer satisfaction and loyalty, innovation and financial performance. They create and carry the culture for their team and directly influence whether top talent stays or leaves. They are frequently responsible for the quality of the customer experience. Leaders and their teams are the biggest source of product and process innovation. The role of a leader has become increasingly tough in the world of today and people skills typically account for 80 percent of success in this role.

To pursue an integrative development of inclusive leaders within Melexis, we continue our cohort-based training trajectory for first-time leaders, together with specialized suppliers. The 8-month 'Fundamentals of Leadership' training program relies on extensive peer learning and coaching. It helps new team leaders to gradually build a leadership mindset while practicing and integrating learnings in their daily job and creating an internal leadership community. In 2022, we started two more waves of training for 35 new and potential team leaders.

In addition, following the principles of our lifelong learning culture we have launched two waves of a tailor-made trajectory for our experienced leaders (having served in a leadership role for at least five years). It aims to help our experienced team leaders to refresh, acquire and implement new knowledge during this peer learning and coaching program. 32 colleagues from sites all over the world have joined this learning journey in 2022.

We have also launched a pilot mentoring trajectory for four managers who have been identified as potential successors for the executive team. Through a robust matching procedure and six months of individual and group mentoring programs, we aim to further develop these leaders by offering support with their biggest challenges, in line with our Melexis leadership vision. This pilot is the first step towards developing the joint internal-external mentoring program that should help our employees to better navigate their careers at Melexis.

Going digital and hybrid

Over the last few years, Melexis has switched to a hybrid working model for every employee whose job can be performed outside of Melexis facilities. To make sure

Melexians can fully benefit from this high level of flexibility, we extended the offer of fully digital and hybrid learning programs.

Major programs such as 'Fundamentals of Leadership' and '4 essential roles of leadership' are being conducted remotely. But based on the feedback from Melexians themselves, we also invest in hybrid programs. For example, the participants of Coaching Essentials from all sites of Melexis combined the remote global training with face-to-face Coaching Bootcamps held locally.

Next to investing in specific digital learning programs, we want to improve the global digital learning experience. International research shows that companies with a high-quality employee experience on average reach 8.4% higher margins and two times higher revenues than other companies. Digital learning experience is rapidly becoming an ever important element of the employee experience as a whole.

2022 marked the beginning of our global Digital Learning Experience Project and focuses on improving the user-friendliness and the results of our digital learning ecosystem. By aiming to contribute to an outstanding

employee experience, we are strengthening our employee value proposition, increasing our retention rate and improving performance. The first two phases of the project were completed in 2022, in which we used the design thinking approach with the end-user – our employees – in mind. First, we collected feedback and data to define requirements for a high-quality digital learning experience at Melexis. Following subsequent extensive market research, we shortlisted the most promising learning experience platforms (LXP). We interviewed employees to gain a better understanding of their current learning experience, finalized platforms requirements and asked our users to test and evaluate a potential platform. This process of co-creation between employees (representing eight job functions and six Melexis sites) resulted in a clear definition of our required digital learning experience and a best-practice process for testing potential digital solutions. In the following project phases, we will apply this best practice to test alternative LXPs and choose the one that best enables user-friendly and engaging digital learning, taking into account any special needs that our learners may have.

6.3.3 Diversity and equal opportunity

Diversity of employees by region and gender: employee statistics on 31.12.2022

Region	Female		Male		Total absolute #
	Absolute #	Percentage	Absolute #	Percentage	
APAC	33	38%	54	62%	87
EMEA	604	34%	1,154	66%	1,758
NALA	6	30%	14	70%	20
Total 2022	643	34%	1,222	66%	1,865
Total 2021	552	34%	1,076	66%	1,628

At year's end in 2022, 1,865 Melexians worked at Melexis. Notwithstanding the fact that we are a high-tech engineering company, we are proud to be able to attract and retain 34% of female colleagues, an unusually high number when compared to other high-tech companies.

Diversity of the Executive Management Team: statistics on 31.12.2022

	AGE						Total absolute #
	<35		35-55		>55		
	Absolute #	Percentage	Absolute #	Percentage	Absolute #	Percentage	
Female	0	0%	2	100%	0	0%	2
Male	0	0%	4	67%	2	33%	6
Total 2022	0	0%	6	75%	2	25%	8
Total 2021	0	0%	6	67%	3	33%	9

In 2021, our Executive Management Team of 9 reflected a similar number of female colleagues as above. In 2022, the number was distorted somewhat as one female member of the Executive Management Team left the company.

Diversity of the Board of Directors: statistics on 31.12.2022

	AGE						Total absolute #
	<35		35-55		>55		
	Absolute #	Percentage	Absolute #	Percentage	Absolute #	Percentage	
Female	0	0%	1	33%	2	67%	3
Male	0	0%	1	33%	2	67%	3
Total 2022	0	0%	2	33%	4	67%	6
Total 2021	0	0%	2	33%	4	67%	6

As evidenced, the Board of Directors is evenly balanced in terms of gender diversity. The current composition of the Board of Directors also exceeds the requirement of article 7:86 of the Belgian Code of Companies and Associations that at least one third of its members has to be of a different gender.

PEOPLE & CULTURE, A NOVEL DEPARTMENT

Listening to enhance the employee experience

In 2022, the new People & Culture department replaced the former site and HR departments. It aims to strengthen an environment that everyone at Melexis can enjoy working in. By creating the best possible work conditions, the novel department wants to empower people to do their job at their best, in an environment that they love.

Spurred on by the COVID-19 pandemic, Melexis worked hard to implement a new, hybrid way of working. Whether employees are working from home or at the company, People & Culture is dedicated to ensuring a workplace that is safe, enjoyable and sustainable. We ensure a vibrant and safe work environment. Our premises, tools and services support our people, stimulate their well-being and drive them to maximum efficiency. It's a cradle for connection, co-creation, mutual support and learning together. It's all about finding the right balance between happiness at work and getting results, and reinforcing the company with the people that fit the Melexis DNA.

A lot of shared common ground between the sites and the HR department allowed to join forces, simplify ways of working and work even more efficiently. One of our core values, 'We care', begins with listening thoughtfully to what employees have to say. So that is exactly what the CEO, sites and HR did in 2022. They invited a lot of employees from different backgrounds to talk about their core values and what they expect. People & Culture then refocused strategy to the three themes that matter most in the long run.

This is what they told Melexians: "First of all, we want to be an attractive employer for everyone. Whether you've been working in production for the past 20 years, or you are a future design engineer who is still at school today. Secondly, we will put a lot of emphasis on growing your talents. You are in the driver's seat, but we will be guiding you on your journey, in co-creation with your team lead, and tell you about the roads you can follow. Finally, we want to create a sustainable workplace for both the planet and for you."

These themes will be translated, amongst others, in reducing carbon footprint, handling energy more efficiently, offering people a safe and enjoyable workplace. But also in changes to talent development approach, reward packages, recognition and feedback. Not overnight, but step by step. With an eye on long-term goals. Because the core of our success resides with our people and company culture.

DIVERSITY, EQUITY AND INCLUSION, FIRMLY ROOTED IN MELEXIS DNA

From its very beginning, Melexis has been a first-mover advocate for diversity, equity and inclusion (DEI). As a company, we strongly believe that a diverse and inclusive workforce is the most crucial key to innovation and progress. Inclusion is quite simply a strategic business imperative. We prove on a daily basis that a diverse team, composed of people with different backgrounds, age, gender, nationality etc. stimulates creative ideas and generates new insights. So when looking for new talent, we dig into the most diverse pool of candidates, regardless of their background. And once hired, we make sure everyone soon feels part of the big Melexis family.

Especially when it comes to gender equality, Melexis and our Chairwoman Françoise Chombar relentlessly emphasize the importance of equal opportunities for men and women. Within Melexis, we have always struck a good balance and we have been raising girls' interest in STEM. But that is not all. Ever more frequently, Ms. Chombar can be found speaking both internally and externally at DEI-related workshops and conferences all over Europe.

As a discipline, DEI is any policy or practice designed to make people of various backgrounds feel welcome and ensure they have support to perform to the fullest of their abilities in the workplace. Combining the three elements, DEI is an ethos that recognizes the value of diverse voices and emphasizes inclusion and employee well-being as central facets of success. To bring those values to life, companies must implement programs and initiatives that actively make their offices more diverse, equitable and inclusive spaces. As this idea is firmly ingrained in our Melexis DNA, Ms. Chombar is undoubtedly one of the best possible champions of the message that DEI and innovation are interconnected and interdependent.

Several new projects and DEI initiatives will be rolled out in 2023. All leaders will be trained to further develop and adopt an inclusive leadership style, especially when it comes to giving feedback, evaluating or promoting team members. All HR processes that impact the employee journey, from recruitment to exit, will be reviewed to make sure that all employees feel included and rewarded as they are. Hiring managers and recruiters will be trained in unconscious bias hiring. We will measure the sense of belonging of the Melexians in our employee surveys and take actions for further improvement on all levels. A dedicated DEI team will make sure that DEI focus stays high.

Diversity of employees by age: employee statistics on 31.12.2022

At year's end in 2022, we noted a fairly even and representative distribution of generations on the work floor at Melexis. The average age of a Melexian is 39.1 years, compared to 39.0 in 2021. With a keen eye on attracting young graduates, Melexis frequently reverts to job fairs, university networking and collaboration activities. Following the favorable results of our dedicated Fresh Graduates Program in Bulgaria in 2021, we decided to expand the program globally and attributed additional funds and time to strengthen ties between our business units and academic institutions.

	AGE						Total absolute #
	<35		35-55		>55		
Region	Absolute #	Percentage	Absolute #	Percentage	Absolute #	Percentage	
APAC							
Female	13	39%	19	58%	1	3%	33
Male	9	16.7%	43	79.6%	2	3.7%	54
EMEA							
Female	223	37%	320	53%	61	10%	604
Male	478	41.4%	568	49.2%	108	9.4%	1154
NALA							
Female	0	0%	5	83%	1	17%	6
Male	3	21%	5	36%	6	43%	14
Female count	236	37%	344	53%	63	10%	643
Male count	490	40.1%	616	50.4%	116	9.5%	1,222
Total 2022	726	39%	960	51%	179	10%	1,865
Total 2021	639	39%	860	53%	129	8%	1,628

A diverse workforce of 57 nationalities

Melexis is present in 12 countries worldwide, with a diverse workforce of no less than 57 nationalities. This versatility is a direct result of our hiring strategy that seems to foster diversity naturally. Reflecting our 'We care' value, Melexis never labels humans according to gender, age, vulnerability, nationality, religion or educational level. HR decisions are not influenced by any preferential treatment. We simply select new colleagues based on fundamental criteria like competencies, performance record and potential.

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



57 NATIONALITIES

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

6.3.4 Our remuneration policy

The success of Melexis depends on the innovative power and the efforts of all Melexians worldwide. Our reward policy is defined annually on a global level, based on the business strategy and the results of the company while equally focusing on the individual's performance and the potential to engage and retain talents.

Our reward policy is firmly based on the three cornerstones of internal and external fairness, transparency and consistency. At the same time, diversity, inclusion and equity are also close to our heart. They are in line with our values and long-term strategy, including the compensation and benefits practices of our employees.

As a global company, it is important to take the local market situation in all Melexis countries into account to define the compensation and benefits strategy and budget. To this end, we analyze the local labor markets in depth on a continuous basis. A thorough knowledge of

local legislation makes sure that we are compliant with the market. Information on the labor market offers key information on labor shortages and salary requirements of profiles that are key to our business today and in the future. Based on benchmarks from several sources, we rely on actual data of salary and other benefits in the high-tech industry sector.

All this information allows us to define a global reward strategy, independent of gender but with a differentiation based on local markets, specific target groups or unusual events. The world is in turmoil and many events are rapidly succeeding each other. At Melexis we always look to solve complex problems, provide answers and meet challenges. The speed of change in 2022 was unusual. Melexis, as a responsible company, closely observed and analyzed the ongoing macroeconomic events, in particular the rising inflation. This inflation impacted the daily lives and households of our people significantly. Considering the unprecedented situation and the company's strong results, we decided to grant our people

across the globe an exceptional compensation adjustment, effective as of September 2022. The applied increase percentage per country was determined locally, in line with different local situations.

Furthermore, as a result-oriented company, we believe that going the extra mile and reaching exceptional results is very motivating for all people, while also enforcing a sustainable financial base for the future of Melexis. That is why Melexis wants to reward exceptional efforts and results of our employees.

Our people are and make the difference. To recognize the great efforts of our people in 2022, we granted an additional variable pay of 10% on top of the achieved variable pay payout percentage.

Individual rewards are based on the competencies and the performance of our employees. Taking into account local legislation, the annual base salary, benefits and/or a variable bonus payout are used to offer a market-competitive and tax-friendly reward package that is fair to all our colleagues.

POSITIVE ROLE MODELS AT GIRLS DAY IN ERFURT

Our colleagues in Erfurt participated in Girls Day in which female students had the opportunity to talk to female role models working at Melexis. The students were invited to execute hands-on tasks on the microscope, visit the production site and participate in a round of troubleshooting. For Melexis, the event is an opportunity to show that diversity matters. For the students, it provides a chance to see that STEM jobs are just as ideal for women.



6.4 SAFETY, HEALTH AND WELL-BEING

6.4.1 Occupational health and safety

Melexis takes safety in the workplace very seriously and works hard to avoid any risk, hazard, accident or injury in the workplace. A safe working environment begins with creating awareness. At Melexis, health and safety training as well as exercises (such as evacuation, fire prevention and first aid) are organized on a regular basis. Our Melexis sites comply with local regulations and ensure continuous improvement regarding their working environment. Injuries are tracked at all sites in accordance with local legislation. In 2022, no work-related fatalities or serious injuries occurred.

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

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

Melexis closely monitored and responded to the COVID-19 outbreak around the world. The health and safety of our colleagues and other stakeholders were our foremost concern. Now, as the spread of the virus is waning, we have firmly integrated some of the specific measures – such as the hybrid way of working and business continuity planning – in our daily operations.

In collaboration with (external) local occupational health services, each Melexis site has a description of the functions that contribute to the identification and elimination of hazards and minimization of risks, and an explanation of how the organization ensures the quality

of these services and facilitates workers' access to them. It stands to reason that local occupational health services are obliged to maintain the confidentiality of workers' personal health-related information and ensure the latter is not used for any favorable or unfavorable treatment of workers.

Colleagues are encouraged to connect into site groups and communities and facilitate reporting any occupational health and safety issues. Both spontaneous and Melexis-organized groups such as Speak@Melexis, Oxygen and High Five are well used and turn out to be quite useful for site managers as they receive and implement practical workflow improvements in this way.

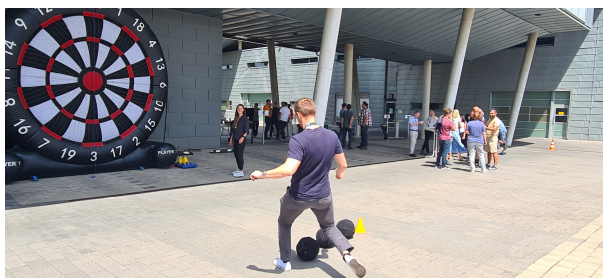
6.4.2 Our colleagues' well-being

Not merely mindful of avoiding accidents and injuries or ensuring business continuity, Melexis also offers a workplace that truly cares. As an employer, Melexis promotes an internal culture of transparency and awareness around well-being by providing a comfortable, safe and secure work environment. We foster an open culture in which people feel free to speak openly. We provide development courses about well-being and have set up a network of internal persons of trust and external professionals who are available for phone or face-to-face counseling when required.

We ensure that these options are properly promoted and regularly review people's perception of their state of well-being by continuously collecting feedback so that improvements can be made. With a focus on the development of core competencies like resilience we aim to support future-proof talent.

We expect, in turn, that our people become actively engaged in their own health and participate in activities that promote mental and physical well-being. We encourage Melexians to live a healthy lifestyle by providing nutritious food options such as fresh fruit at our sites.

Depending on the site, Melexis is experimenting with outside walking meetings, green patches inside and outside office buildings, leisure opportunities (like fitness rooms, darts, table tennis), online yoga sessions, dedicated newsletters from Fit@Melexis that focus on moving, food and the mind, awareness presentations on colon cancer and breast cancer by expert oncologists, a BioRICS joint pilot project developing new stress-monitoring technology etc. We equally support different sports activities, such as the preparation for the 2023 Melexis triathlon and, in 2022, the month-long Globetrotter Challenge in which an external partner coordinated a cross-site competition in which sites collected as much sports activities points as possible. Colleagues are offered the possibility to have flexible working hours and to work from home. The Melexis culture is based on trust. We believe that when people are able to organize their work autonomously, they are even more motivated to deliver output.



Melexis respects all local work-related legislation and abides by the local laws when it comes to social elections, worker representation, shift work, the company's

handbook, timely notification of operational changes etc. Approximately 50% of all employees are covered by collective bargaining agreements.

6.4.3 Product safety

Driving a car is a self-evident part of people's lives. We drive to work, to school, go shopping and visit friends and family. To minimize the risks on society which are related to driving, the industry has provided steady improvements in car safety over the last decades. Advances in modern electronics have accelerated the number and quality of safety systems. Semiconductor devices and computer-controlled systems with complex software are integral to these system designs. Two key standards that create a universal international approach to hardware and software design are ISO26262 and ASPICE-v3. Each of these standards define a regimented approach to system design that starts at the concept stage.

ISO 26262 provides appropriate standardized requirements, processes and an automotive-specific risk-based approach to determine integrity levels, also known as Automotive Safety Integrity Levels or ASILs. ASILs are used to specify applicable requirements of the ISO 26262 standard so as to avoid unreasonable residual risk.

The Melexis ASIL-ready Functional Safety Program was designed and deployed to institutionalize these competencies and to realize functional safety as an organization-wide capability. With respect to functional safety, Melexis keeps complying with ever evolving EU

legislation. To do so, we invested in software that is continuously filtering new EU rules and regulations that involve chemicals and materials that we effectively use.

Furthermore, it should be noted that our focus on product safety and quality is not limited to traditional automotive solutions but also includes more autonomous vehicles and the consumer, medical and industrial applications. In the automotive arena, safety is a critical concern to component manufacturers, vehicle makers and consumers. Software is at least as important as hardware in ensuring the safety of vehicle drivers, passengers and other road users. As a result, standards define stringent processes that software developers must follow to ensure the safety of automotive systems.

That is why Melexis is also being audited for ASPICE, which stands for Automotive Software Process Improvement and Capability Determination. It was created to assess the performance of the development processes of OEM suppliers in the automotive industry. It defines best practices and processes to ensure the highest quality of embedded automotive software development. The certification process is based on an audit conducted by external, independent ASPICE-certified assessors.

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

We have passed eight out of eight IATF 16949 certification audits by independent certification authority DQS in 2022.

6.4.4 Cybersecurity

At Melexis, we attach great importance to keeping our assets safe. All of our IT tools have been screened in terms of vulnerability to cyberattacks. Unfortunately, however, cyberattacks are never 100% preventable. That is why we have two continuity response plans (CRPs) in place to limit the harm that cyberattacks could cause: a continuity response plan with regard to the technical track and a continuity response plan with regard to the communication track.

Next to the Melexis Code of Conduct which outlines our colleagues' obligations with regard to computing and information resources, our information security code of conduct is intended to raise awareness and knowledge of the importance, risks and consequences of information security for Melexis. By increasing the information security awareness and knowledge and emphasizing the employees' role in protecting information, we strengthen a secure environment to support our company's future growth.

As people are often the weakest link when it comes to preventing cyberattacks, we believe that Melexians can truly make the difference and we want to empower them to make the right decisions. That is why we established a communication campaign, which consists of nine principles:

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

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

A WIDE AUDIENCE IS DISCOVERING OUR POPULAR TECH TALKS

Melexis not only designs and sells technological innovations but also shares many valuable insights with the general public. Anyone interested in gaining a better understanding of our technologies, history, demos, trends and protocols will find a treasure trove of accessible information in our widely-consulted Tech Talk website pages.

In February, we published a Tech Talk focusing on 'The cockpit of the future'. From the cockpit environment to a unique seating experience, Melexis sensors and drivers enable user comfort and safety in the automotive industry. The article touches on lighting, climatization, occupant monitoring, seating and driving, window and door control and renders a unique insight into the possibilities of ICs. In July, we posted a Tech Talk on switches, entitled 'Smart and connected starts from latch and switch ICs'. The basic principle behind switches seems simple enough: you turn them on or off. But when taking a deep dive, they become more complicated. What do they do? Where are they used? And what is the difference with a latch? And in August, we published a Tech Talk on 'Position sensors for motor control feedback loop', explaining why motor drivers need position sensors and analyzing the different systems used for this purpose.

Whether it be customers, teachers or tech fans, Tech Talks enlighten and delight, as we notice the articles are widely republished and picked up by different media. All Tech Talks can be found on our website: www.melexis.com/en/tech-talks/.

6.5 LOCAL COMMUNITIES

For Melexis, technology is about solving fundamental societal challenges. After all, one of our core values is that 'We care'. Melexis respects all its stakeholders. Our collective reputation as a corporation and as a collection of individuals representing the Melexis brand must meet the highest standards. This means that all our stakeholders, including customers, shareholders, suppliers, distributors, representatives and neighbors, deserve the utmost integrity, honesty and fairness in all their interactions with our company.

6.5.1 Our social responsibility

In many Melexis sites a social engagement team is set up to coordinate and implement Melexis' efforts to the benefit of the communities we operate in. Every year, a number of local initiatives are set up at our sites. These may include but are not limited to breast and colon cancer awareness in Leper, the collection of educational toys for underprivileged children in Tessenderlo, a fundraising for people with disabilities in Erfurt, a UNICEF 'Back2school' information campaign, a second-hand clothes collection, a food donation initiative for families in need in Sofia, a Christmas gifts collection for the disadvantaged in Tessenderlo, our US teams volunteering at a food bank and car-free days on some sites.

STANDING UP FOR UKRAINE

It will come as no surprise that the sudden geopolitical shift in Ukraine in 2022 touched the hearts of all Melexians as our 70 Ukrainian colleagues found themselves and their families under brutal attack. Melexis immediately set about helping colleagues in many different ways. From temporarily closing the Kyiv offices to providing refugee colleagues and their families with accommodation, financial aid, logistic support, psychological guidance and even jobs in neighboring countries, from sending a considerable amount of generators and power banks to replacing customer gifts with donations to reconstruct Ukrainian schools and social infrastructure, from fundraising to collecting several pallets of donated goods, Melexians once more prove how much we live by our shared values as 'we care' deeply for our incredibly brave and resilient Ukrainian colleagues.

MELEXIS ACADEMY BULGARIA

Melexis Bulgaria is actively investing in its Melexis Academy, which is helping young graduates and students to boost their electronics skills. Over the summer period, 17 motivated students followed an exciting career journey in our world of inspired engineering and successfully graduated from the Melexis Academy's Summer Practice Program 2022. At the same time, another 55 students from two schools attended the Production Summer Practice, racking up real-life experience in the technical world. They worked along hands-on in our production area and some of them also contributed to our Equipment Team. It proved to be an exciting opportunity for students to gain experience and find inspiration for their future career choices!



6.5.2 Our educational responsibility

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

Our focal point of educational awareness and responsibility is the organization of several STEM-related activities. STEM stands for Science, technology, engineering and mathematics and aims to foster inquiring minds, logical reasoning and collaboration skills. Each of the four STEM domains is indispensable for today's and tomorrow's world.

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

For several years now, Melexis has been firmly committed to bringing STEM to the forefront whenever possible. We organize several successful initiatives for children and aim to boost their interest in the exact sciences and technology from a young age. Melexis is determined to follow this path for many years to come.

You can find more on our STEM support activities on our website: www.melexis.com/en/info/stem.

STUDENTS IN STEM ARE THE FUTURE

As a high-tech company, Melexis strongly believes that STEM provides answers to most of our societal problems. We are constantly looking to solve complex challenges and are driven by a relentless curiosity about how things work. As our passion for technology and science makes our world go round, we want to encourage future generations of scientists, engineers, designers, technicians ... to join. Together, through innovation and understanding we can create the best imaginable future.

That is why Melexis supports different STEM initiatives and related student activities around the world. In 2022, for example, we participated in Technoboost in Ieper, an event that aims to raise children's awareness of mechanics and electricity through an educational program with hands-on assignments and active demos. Ieper and Tessenderlo sponsor the development of electric racing cars by university student teams. Bevaix organized a soldering initiation day for young children onsite, collaborated in three workshops of FRSM-Kids, the Swiss Foundation for Research in Microtechnology, and invited employees' children on a 'Bring your kids to work' day. Ieper also takes part in technological summer camps in collaboration with TechniekAkademie and hosts several workshops onsite in which children learn to develop their own robots and step counters. As long as it helps to create enthusiasm for STEM subjects among boys and girls, we are in!



MELEXIS CREATES INSTRUCTIONAL STEM VIDEOS FOR CHILDREN

In January, Melexis published an instructional do-it-yourself STEM video on YouTube. The 'Bristlebot DIY: how to make a light-guided robot' video explains visually and step-by-step how children from the age of nine can build their own robot with just a few parts and make the bristlebot twist and turn by using a torch light. The video was released in English, Dutch and French and underscores just how much Melexis supports STEM.

VISITING ESA WITH THE OSCAR-QUBE STUDENT DEVELOPERS

Melexis proudly sponsors the OSCAR-QUBE. The quantum magnetometer, built by students from Hasselt University, was sent to the International Space Station ISS and operated successfully for almost a year, mapping and measuring the magnetic field around the earth. In August, the device was safely returned to earth and its data is now being used to improve the accuracy of MRIs and to enhance solar winds forecasts (so that satellites can be protected). In July, as sponsors with a keen interest in the students' ambitious endeavor, we had the pleasure of being invited along with them to the ESA's European Space Research and Technology Centre (ESTEC). Following a tour in the fascinating headquarters, the students then gave a professional presentation on their project. ESA has already announced it will keep working with the students and expects to send off an improved QUBE with the Ariane 6 launch in 2023.



6.6 THE ENVIRONMENT

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

Our quality and environmental policy is based on five principles:

- Sustainable development: we develop products and processes that have a minimal impact on the environment, now and in the future.
- Prevention is better than cure: we design products that are 'safe at launch' and 'first time right', maximizing the value of the effort and materials used.
- The total environmental impact counts: production (including energy consumption), use and end-of-life disposal have as little effect as possible on the environment.
- An open dialogue with all stakeholders: everything we do contributes to our corporate social responsibility, with team members playing an active part. This positive attitude helps determine the financial and technological success of our company. We are proud of our daily efforts to produce less waste, improve efficiency and contribute to building a sustainable future.
- Zero incidents: throughout the entire supply chain and lifecycle of our products, we ensure robust competitive processes and are driving a Zero Incident Strategy that is based on three pillars:
 - Occurrence: we prevent incidents from happening
 - Detection: we detect incidents as early as possibly in the supply chain
 - Learning: we learn from weaknesses

Zero Incident means that throughout the product life cycle we ensure competitive processes which continuously reduce incident occurrence and enhance their detection. This holds true during the development phase, at our suppliers and during the wafer and package level testing at Melexis manufacturing sites. To this end, many preventive measures are put in place.

Over the years, through collaboration with suppliers, through quality innovations and with the help of new technology (such as artificial intelligence), Melexis has

continuously enhanced its Zero Incident Program. Its objectives remain the prevention of incidents, the early detection of any abnormality and the prevention of disruption.

Over the 2019-2022 period, Melexis has reduced its defective parts at the customer (the so-called parts per billion or PBB) by more than 10%, year-over-year.

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

6.6.1 Energy

With a keen eye on reducing our ecological impact, our sites are actively engaged in a project to analyze environmental opportunities over the short, mid and long term. Our sites in Ieper, Tessenderlo, Bevaix and Erfurt have installed charge points for electric vehicles, fitting in nicely with our strategic mobility plans. Some sites are looking to invest in windmills, solar panels and e-cars for short-distance company trips. In light of the European energy crisis, Bevaix teams joined forces to think of new ways to optimize their energy use. As a result, they managed to switch off equipment like compressors in the labs at certain hours without the slightest impact on business.

Another promising step was taken at the site in Bevaix, where we installed approximately 350 m² of solar panels, leading to an estimated CO₂ reduction of 5,917 kg per year.

In 2022, as the brand-new building in Sofia became fully operational, it is positively impacting our environmental performance data even further. The state-of-the-art building was designed to minimize the risk of energy and heat waste. The amount of electricity used will be minimized by the use of low-consumption compressors and the amount of water used will be reduced by the collection and reuse of rainwater. To control the building's temperature, we have targeted potential energy-loss points like windows and doors, we are recuperating heat emanating from the facility's own equipment and we have opted for outdoor blinds to avoid the accumulation of heat inside.

Reporting on our care for the planet

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

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

Based on advancing insights, and in a bid to provide more transparency on our environmental impact, we are now measuring our impact more accurately and developing multi-year action plans. To this end, and in consultation with external consultants, our sites are now thoroughly investing in providing information regarding their environmental impact.

To meet stakeholder interest, we are continuously expanding the reporting on our website's sustainability pages. At the same time, we report on our scope 1 and 2 emissions in this annual report. The report also includes information on materials used, energy, water, effluents and waste and environmental compliance.

Our carbon footprint: Melexis reports on scope 1 and 2

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

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

- Scope 1 covers the direct emissions from owned or operated assets (for example, the fumes from the tailpipes of a company's fleet of vehicles).
- Scope 2 covers the indirect energy-related emissions from the purchase of energy, for which obviously we are highly dependent on the countries' electricity generation mix.

- Scope 3 emissions are all other indirect emissions, being the emissions from everything else, such as raw materials, suppliers, distributors, product use ...

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

The results are presented in conformity with the Greenhouse Gas (GHG) Protocol guidelines. The GHG Protocol Corporate Accounting and Reporting Standard provides requirements and guidance for companies and other organizations, such as NGOs, government agencies, and universities, that are preparing a corporate-level GHG emissions inventory.

Scope	ton CO ₂ e	%
1	1,029	7.7
2	12,343	92.3
Total 2022	13,372	100
Total 2021	13,814	100

Scope	Activity	Unit	2022	2021
2	Total emission	ton CO ₂ e	13,372	13,814
	Production volume	devices (in 1,000,000)	1,942	1,776
	Specific emission	ton CO₂e/10⁶ dev.	6.89	7.78

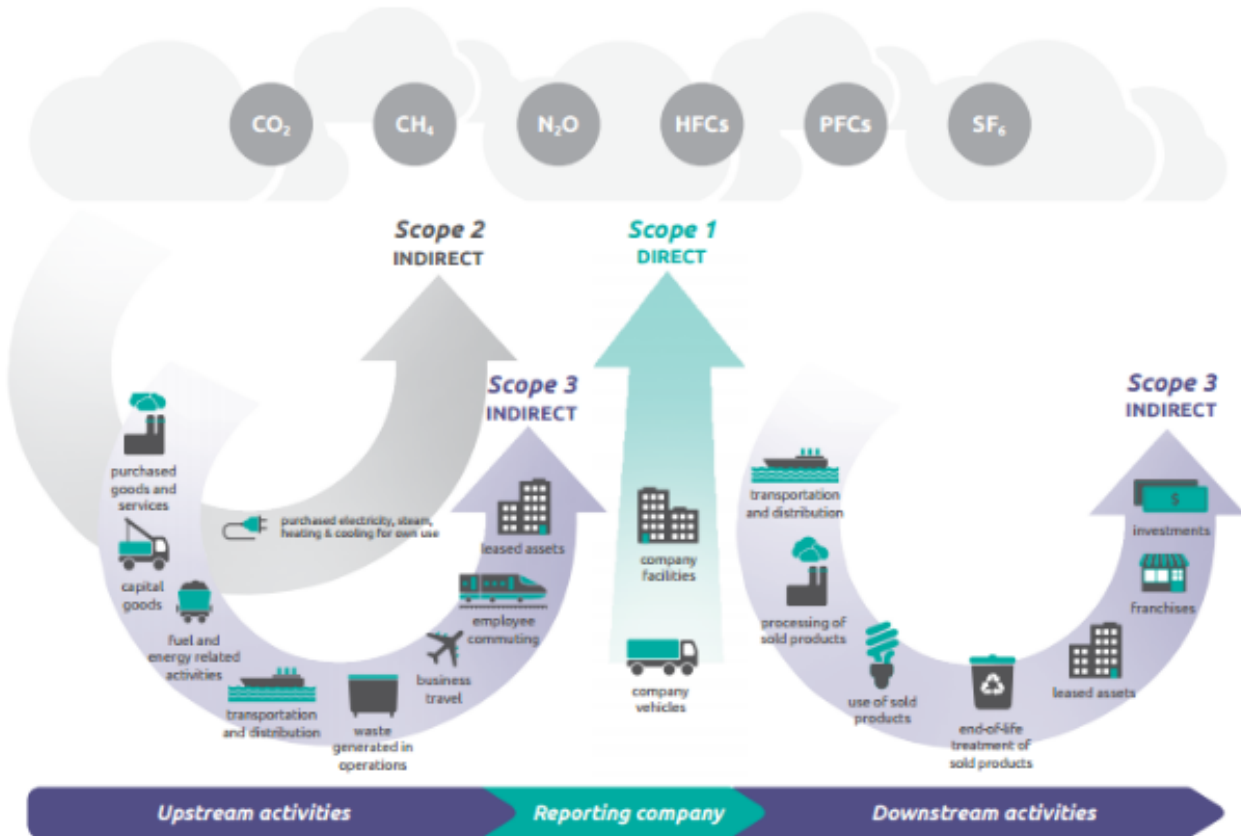
Melexis has been reporting on its scope 2 emissions for a few years now. Our 2022 measurements cover all our sites and cover a broader scope.

The reported emission of greenhouse gases per chip was 11% lower in 2022 than in 2021. The main contributor to the reduction is the increased share of low-carbon energy at our sites in Bulgaria, Belgium and Malaysia.

An increase in the scope 1 emissions can be observed. This increase is due to the increase in natural gas consumption of the Sofia plant where a new building has been taken in use and the increase of the consumption of diesel and petrol in the Belgian sites by 43% in 2022 compared to 2021.

Our 2021 scope 1 and 2 footprints served as the baseline for 2022 to define a realistic target for CO₂ reduction to meet the carbon neutrality goal of the European Green Deal in 2050.

By 2030, Melexis aims to reduce its CO₂ emissions per chip by 40%.



Source: Greenhouse Gas Protocol

6.6.2 Climate change and the greenification trend

The world needs to continue the fight against climate change and seek solutions for both CO₂ and power consumption reduction. The call for green products has never been greater than today, a demand that will only increase in the coming years in all markets and impact mobility and energy consumption. The European Green Deal is striving to make Europe the first climate-neutral continent and will pave the way for a better future. Melexis is especially well positioned to contribute to the electrification trend in the automotive industry that is

currently seeing an acceleration on the back of a heightened and justified attention to combating climate change.

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

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

Melexis is continuously looking for ways to reduce emissions and energy consumption by designing sustainable products for our customers who are also increasingly looking to minimize their impact on the environment. To do so, Melexis adheres to the Greenhouse Gas or GHG Protocol and is measuring its scope 1 and 2 emissions. In consultation with an external consultant, all our sites have been assessed and their baseline measurements regarding CO₂ emissions have been determined. These initial values provide the starting point for annual comparisons and allow for the establishment of future key performance indicators.

6.6.3 Materials, emissions, water and waste

We reduce our use of raw materials as much as possible and we are always looking for the most environmentally-friendly materials to use in our products. We design our packaging to facilitate its recycling and reuse (read more on this topic in section 6.7.3). We look to reduce our CO₂ emissions and use renewable energy as much as possible. We minimize waste by separating it efficiently to ensure recycling. And we apply the 5S strategy to ensure effective workflows and areas, travel and transportation as we have been encouraging carpooling since our inception and streamline shipments and deliveries. Our water consumption is merely destined towards basic usage in our facilities, for example for showers, toilets and wash basins.

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

6.6.4 The precautionary principle

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

This means that no chemical substances or hazardous substances are used in our production sites. We use nitrogen for low-temperature testing and electricity is the main source of energy for our operational processes.

However, we practice a 'precautionary principle' by identifying, assessing, preventing and continuously mitigating risks related to environmental, quality, supply chain and sustainability aspects. The main environmental risks that Melexis faces are linked primarily to global climate change, such as natural hazards. Melexis is mapping, proactively and together with our suppliers, natural hazards at every stage of the supply chain and ensuring mitigation of such risks. Our internal requirements and targets are often more stringent than applicable guidelines, laws and standards. We do this not just to comply with legal requirements but because we, just like our customers, are genuinely concerned with any impact our solutions may have on their final end-user products.

That is why Melexis employs a variety of mechanisms to monitor, measure and improve the effective implementation of our quality and environmental management system. These include the follow-up on environmental key performance indicators by maintaining balance score cards, specific reporting (including details about waste, water, nitrogen³, electricity ...) and regular internal audits in accordance with the Melexis global audit program. In 2022, all nine internal audits were performed as planned in the 2022 audit planning.

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

³ We track our use of nitrogen for cost considerations. Nitrogen emissions as such are not harmful to the environment.

In 2022, we continued with deep dive audits. Deep dive audits focus specifically on a particular process. Typically, it involves a small number of audits (usually three or four) and starts with the process owner. Based on this first layer, the interactions with other processes are then also audited. The results of these audits are included in the combined audit report of the site where the process owner is located. In 2022, two deep dive audits focused on manufacturing and another two were initiated with the first process owner interview on supplier management and development quality assurance. They will both be finalized in 2023.

In 2022, five customer audits were performed, spread over three Melexis locations. Most of these audits happen at the customer's request.

Melexis increasingly focuses on reducing the ecological footprint of our sites too. We keep investing in green energy and lowering our emission levels. Notwithstanding our ISO 14001 certification as a low environmental impact company, we do collect our main environmental performance data for the purpose of transparency. The following table indicates the use of materials in all our Melexis sites and our key suppliers. It also contains entries on energy, water, emissions, effluents and waste from our three major manufacturing sites, Erfurt, Ieper and Sofia. The sites of Corbeil and Kuching are not included in these figures because their impact is negligible.

Our environmental performance data of our manufacturing sites Erfurt, Sofia and Ieper on 31.12.2022

		UNITS		2022	2021	2020
Materials⁴	Materials used by weight	Total	tons	85.6	116.5	83.7
		material category 'Silicon'	tons	10.89	11.56	6.40
		material category 'Copper'	tons	27.36	43.89	32.73
		material category 'Gold'	tons	0.21	0.27	0.22
		material category 'Silver'	tons	1.43	1.57	1.17
		material category 'Silica'	tons	36.49	48.60	35.70
		material category 'Tin'	tons	1.80	2.00	1.41
	material category 'Others'	tons	7.39	8.66	6.05	
Energy	Energy consumption within the organization	Total	megawatt hour	32,591	30,343	26,418
	Energy intensity	Total	megawatt hour per 1 million sold parts	16.78	17.09	19.38
Water	Water withdrawal	Total	cubic meter	12,575	10,715	9,066
Effluents and waste	Water discharge by quality and destination	Total	cubic meter	12,527	10,715	9,066
	Waste by type	Total	tons	284	265	216
	Significant spills	Number of significant spills in 2022	number	0	0	0
Environmental compliance	Non-compliance with environmental laws and regulations	Number of non-compliances with environmental laws and regulations	number	0	0	0

The 2022 increase in energy consumption and waste is due to the surge in sales and, as a consequence, in production. However, as evidenced, we are happy to report that energy intensity is decreasing year-over-year.

In terms of water consumption, the 2022 increase is a consequence of a larger workforce and humidification measures due to cold and dry climate conditions.

⁴ The calculation is based on our top 10 sold products.

6.6.5 Our environmental compliance

ISO 14001 certification sets the parameters for an environmental management system. It provides a framework for establishing effective energy-efficient processes and to limit waste, reducing environmental risks and supporting the development of energy-efficient solutions. We have passed all three ISO 14001 audits by independent certification authority DQS in 2022. We comply with all locally relevant environmental legal requirements for our production sites. Our brand-new office in Sofia, Bulgaria was successfully added to the ISO 14001 certification cycle in October 2022.

For the purpose of increased transparency, Melexis continually updates its webpage on quality and environment to answer some frequently asked environmental questions: www.melexis.com/en/tech-info/quality/environmental-forms-and-declarations/faq. We also published a dedicated web page on sustainability. This includes product-related environmental information forms, all relevant REACH documentation and other certificates.

6.6.6 Our environmental engagement to stakeholders

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

- Our **customers**: close communication loops with our customers help us identify new development opportunities for environmentally-friendly products. Melexis is accountable for supporting customers and supplying them with products of the highest quality only, in order to meet customer requirements in a manner that is consistent with environmental standards.
- Our **colleagues**: they are involved in environmental sustainability and continuous improvement activities. Their input is taken into account in management reviews as well as continuous improvement plans.
- Our **investors**: Melexis strives to ensure minimizing risks while maximizing returns to guarantee a good relationship with our investors.
- Our **suppliers and subcontractors**: they are a crucial element of our environmental program. We require them to act environmentally responsibly and have their own environmental policy, system and continuous improvement planning in place. Melexis requests environmental information records on all materials

supplied to us, all within a defined time frame. An ISO 14001 certification is requested in case of supplier selection.

- **Society**: we recognize that we have a responsibility towards the local communities and surrounding environment where we operate and hence take their needs and requirements into account in terms of strategies and objectives.
- **Legal authorities**: legal requirements set into force with laws and regulations by the relevant local legal authorities are recorded by each national organization. These are communicated to the relevant local sites on a regular basis by our environmental coordinator. Compliance with local, national and supranational legislation that is relevant for our customers is also taken into account and given as much attention as our customer-specific requests.

For all product declarations, product conformities and our answers to frequently asked environmental questions, please consult www.melexis.com/en/tech-info/environment.

6.6.7 EU taxonomy

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

Regulation (EU) 2020/852 (the 'Taxonomy Regulation') was published in the Official Journal of the European Union on 22 June 2020 and entered into force on 12 July 2020. It is supported by several FAQs published (and forthcoming) and by delegated acts which define technical screening criteria for each environmental objective.

The Delegated Act (Commission Delegated Regulation (EU) 2021/2139) on climate mitigation and climate adaptation, laying out the technical screening criteria that define whether an economic activity substantially contributes to the objective of climate change mitigation or climate change adaptation was published in the Official Journal on 9 December 2021. This also includes minimum safeguards that must be secured for the other four environmental objectives of the taxonomy, the so-called Do No Significant Harm (DNSH) criteria.

As indicated in the Disclosures Delegated Act (Commission Delegated Regulation (EU) 2021/2178), non-financial undertakings shall disclose the proportion of Taxonomy-eligible and aligned economic activities in relation to their total turnover, capital and operational expenditure as well as the qualitative information for reporting year 2022.

Eligible activities

Based on Melexis NACE code 26.110, our business activity can best be classified as an economic activity under 3.6 'Manufacture of other low-carbon technologies'.

Semiconductor manufacturing is a Taxonomy-eligible activity where it is intended to enable another economic activity to make substantial greenhouse gas emission savings. We considered applications that among others reduce emissions in vehicles or have applications in electromobility.

To calculate the eligible *revenue* we started from the financial data reported in accordance with the International Financial Reporting Standards (see chapter 8). Based on our financial system, we could allocate revenue directly to eligible green applications.

According to the Disclosures Delegated Act, *operating expenses* cover direct non-capitalized costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets. Melexis focuses on research and development costs since the other costs that could possibly fall within this definition are likely to be immaterial in comparison. To define the operating expenses, we were able to link most of our research and development expenses directly to products with green applications via the financial system and distributed pro rata compared to the sales proportion for green products, for the remainder of the research and development expenses.

The Disclosures Delegated Act defines *capital expenses*. It covers additions to tangible and intangible assets during the financial year considered before depreciation, amortization and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. Capital expenses (additions in property, plant and equipment) have been allocated to green products where there is a direct link, and pro rata compared to the sales proportion for green applications for the remainder of the manufacturing investments.

Aligned activities

In the context of the EU taxonomy, 'alignment' means that an activity meets all the criteria to be classified as environmentally sustainable. This is the case where the activity in question

- Contributes substantially to one or more of the environmental objectives of the EU taxonomy,
- Is carried out in compliance with the minimum safeguards,
- Complies with the technical screening criteria and
- Does not significantly harm any of the environmental objectives of the EU taxonomy.

Economic activities that fall under category 3.6. 'Manufacturing of other low carbon technologies' must be aimed at and demonstrate substantial life cycle GHG emission savings compared to the best performing alternative technology/product/solution available on the market.

Given that the legislative framework (including the FAQ documents) of the EU taxonomy does not precisely define some of the concepts that are central for determining whether an economic activity in the semiconductor sector is sustainable, and given the fact that Melexis is still in an early stage of defining its scope 3 emissions and product lifecycle assessments, we consider none of the eligible activities aligned.

Economic activity	Proportion of revenue	Proportion of CAPEX	Proportion of OPEX
Manufacture of other low-carbon technologies - taxonomy-eligible	55%	54%	51%
Manufacture of other low-carbon technologies - taxonomy-aligned	0%	0%	0%

6.7 RESPONSIBLE SUPPLY CHAIN

Developing and maintaining long-term and sustainable relationships with suppliers is essential for Melexis' success and growth. It is also a key factor in ensuring business continuity, which is why Melexis is working closely with its suppliers in each step of the process. We are proud to see that the majority of our supplier base has been stable since the company was founded and is based on trusted, long-term partnerships with key suppliers. Nevertheless, and as can be expected, we do on a regular basis reevaluate the sustainability of all our supplier collaborations.

With 90% business to the automotive market, it goes without saying that our supplier management adheres to the automotive industry standards with regards to supplier selection, evaluation, qualification and development. Yet, as our solutions for medical, industrial and consumer applications are becoming increasingly popular, we are adapting our supply chain strategy to the needs of customers and markets in an agile and flexible way.

6.7.1 How we select and evaluate suppliers

Melexis pursues a balanced supplier portfolio in each solution or service category. Preferred suppliers play a key role but, at the same time, we are always open to establish new supplier partnerships and we never lose sight of our business continuity plan. Hence, when deemed appropriate, Melexis strives for a dual manufacturing approach. To this end, we have defined a new structure risk management approach. A multifunctional team selects the suppliers and ensures that all aspects from cost to quality, innovation capabilities, supply chain risks, supply chain robustness and standardization possibilities are taken into consideration.

Supplier audit is a mandatory step for direct suppliers to get the status of preferred supplier. VDA 6.3 is used to assess the supplier's ability to meet automotive and customer specific requirements from both quality and technical perspective.

Key suppliers in the field of bill-of-material (for wafers and assembly) are evaluated on a quarterly basis on several metrics and foster dialogue between Melexis and the supplier on potential improvement plans. In 2022, we started cooperating with new assembly suppliers and worked on a similar methodology for key equipment (machinery) suppliers.

The output of these evaluations is taken into account in any sourcing decision, on top of cost, business continuity planning and technical factors.

6.7.2 How we manage supply chain risks and business continuity

Melexis works with numerous suppliers for which we do not always have an alternative source available. A robust process is in place to safeguard the continuity of supply for critical processes and products. We have, however, reviewed our supply chain risk approach and intend to roll this out shortly. Where we changed our risk assessment (risk-impact, based on customer impact), we have mapped a full second, third ... supply chain tier. In light of geopolitical changes, we reinforce our dual sourcing strategy with several activities, identified on the basis of a continuous evaluation of our spend portfolio, supply risk and business importance.

Throughout 2022, Melexis continued to face and - at the time of writing - is still facing an upsurge in demand and a limitation of supply, longer lead times and increased cost structures at our suppliers. A delicate balancing act was and remains needed in order to support our suppliers to increase their capacity and, at the same time, match that capacity with the demand of our customers to ensure no overinvestments are being made.

This includes obtaining long-term capacity commitments from our suppliers (and customers) to support the growing customer demand and to ensure back-to-back commitment and risk sharing. It requires close cooperation with suppliers to monitor several raw material market situations. We also support suppliers through our direct contacts with material suppliers, increasing leverage and bringing business visibility. And finally, we have increased the dual sourcing availability and flexibility of our suppliers with sub suppliers. The importance we attach to dual sourcing and business contingency plans will be a key topic in 2023.

With regard to production continuity in 2022, our global business continuity response team has defined clear links between any incident's investigation and the escalation path for its impact on operations. In local sites, we have improved and standardized our production assessment process, in which local teams evaluate the possible consequences of an event and its impact on our equipment and subsequently on our production output.

Melexis closely follows any geopolitical situation that may affect our business continuity. For example, to improve our lead time and proximity to our Chinese

customers, we started to cooperate with new China-based suppliers in 2022. Furthermore, as soon as the Ukraine-Russia war broke out, Melexis established a multidisciplinary project team to follow up on any possible impact the war could have on our business model and business continuity. Even though we do not have any direct supply coming from Russia nor Ukraine, we made sure to defuse any issues that could arise and communicated about possible risks and their solutions with all stakeholders involved. Equally, in 2022, we continued to monitor the financial robustness of suppliers. We kicked off a more formal supplier tracking methodology in collaboration with our finance department to document and track key financial parameters of our key suppliers with the goal to detect early warning signs or changes in their financial situation.

To ensure a comprehensive supply chain management oversight, Melexis can count on the expertise of Maria Pia De Caro, member of the Board of Directors.

6.7.3 Supplier social and environmental assessment

As Melexis is committed to operate in a socially and environmentally responsible manner in all areas of its business, we make sure to comply with all relevant legislation.

All key suppliers⁵ are required to sign a quality agreement that states, among others, that they ensure that all relevant laws and regulations are known, understood and implemented. Suppliers must prove they respect the protection of internationally proclaimed human rights for all, including the basic human rights of employees within their supply chain.

We follow up on this with a bi-annual CSR questionnaire that is sent to all our direct and indirect suppliers in the format of a self-assessment. In 2022, we successfully engaged in a more extensive survey, asking suppliers about their compliance with the Melexis Code of Conduct, their export control, supply chain security, global trade and information security. For 2023 we will focus on the acknowledgement of the Melexis Code of Conduct by our suppliers and perform an ESG mapping of our suppliers.

Melexis proactively undertakes due diligence and continuous monitoring of its supply chain to avoid direct or indirect procurement of conflict minerals. Our products do not contain any conflict minerals (gold,

tantalum, tungsten and tin) mined from the Eastern Democratic Republic of Congo (DRC) and its adjoining countries, as defined in Section 1502 of the **Dodd-Frank Wall Street Reform and Consumer Protection Act** and its affiliated laws or regulations. Suppliers must also work diligently with other, third-party suppliers to systematically address the process for sourcing minerals that are conflict-free.

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

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

We also respect the so-called '**Green Packaging**' that is integrally linked to the **Lead-Free Movement**. Green packaging endeavors to remove all toxic substances from product packages. This includes notably the bromine-antimony complexes that are universally applied as additives to the mold compound, in order to guarantee the required fire retardancy. In terms of packaging, Melexis defines green products as those which are RoHS compliant, are halogen-free according to the IEC61249-2-21 definition (900 ppm max. bromine, 900 ppm max. chlorine and 1,500 ppm max. total halogen (Br+Cl)) and contain less than 900 ppm antimony trioxide (Sb₂O₃). Melexis confirms that all the green products we supply to our customers do not contain any halogen as defined under IEC 61249-2-21. Hence, any material used in the assembly process of semiconductor packages follows the limits that are imposed by the Lead-Free Movement, RoHS and 'Green Packages'. More information can be found on www.melexis.com/en/tech-info/quality/environmental-forms-and-declarations/environmental-topics/green-packaging-halogenfree.

Melexis is not required to register our company's products under the **REACH** (Registration, Evaluation, Authorization and Restriction of Chemicals) **Regulation**

⁵ Key suppliers are defined as wafer and assembly suppliers covering in total more than 80% of the cost of sales.

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

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

In short, we can attest that we are compliant with RoHS, Lead-Free Movement, Green Packages, REACH, the conflict minerals requirements (e.g., based on Dodd-Frank Wall Street Reform and Consumer Protection Act), ELV/WEEE and any other local legal requirements and requests.

Our product declarations and their conformity with the above-mentioned requirements can be consulted in greater detail on www.melexis.com/en/tech-info/environment and www.melexis.com/en/tech-info/quality/environmental-forms-and-declarations.

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

6.8 OUR BUSINESS ETHICS

Unfair behavior conflicting with Melexis' values and Code of Conduct during business activities and day to day interactions, including bribery, corruption, fraud, violations of human rights, child labor and forced labor, can lead to legal investigations and claims, has (negative) economic implications but also sustains poverty across generations and leads to future skill deficits.

Melexis has an ethical code of conduct to provide a clear and unambiguous reference to human rights and expected behavior during business activities. Melexis colleagues are made aware of the Melexis values, a strict adherence to the Melexis Code of Conduct and the avoidance of any activity that may lead to a disrespect for human rights, corruption, bribery, anti-competitive behavior and a disrespect for privacy.

Melexis colleagues receive newsletters and training on the Melexis Code of Conduct to ensure their commitment. When new hires are onboarded, they receive a training module during their induction program. And to promote and refresh their commitment to our Code of Conduct, every employee has been invited at the end of 2022 to access a follow-up training via our learning tool on the Melexis University platform to refresh their knowledge of the Code of Conduct. Since its rollout, 80% of Melexians have refreshed their knowledge on the Code of Conduct.

In 2023, we will focus further on developing a global business ethics training program.

6.8.1 Human rights, child labor and forced or compulsory labor

For Melexis, exposure to risks related to human rights can arise from its suppliers and/or business partners in the various regions where those suppliers/business partners may disregard the human rights of their workforce.

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

Melexis is fully committed to the effective abolition of child labor and forced labor. Besides economic considerations, we believe that it is unethical to partake in child labor: it sustains poverty across generations and leads to under-skilled workers in the future.

To ensure adherence by our business partners, the Melexis general purchase conditions require suppliers to comply with our Code of Conduct and with all applicable laws, rules and regulations on (international) trade. Furthermore, we conduct reviews of key suppliers by means of self-assessment questionnaires. All our key suppliers reported to either have an internal or an external policy on the topics of human rights, child labor and forced labor.

Key suppliers are equally required to sign a quality agreement that states, among others, that they ensure that all relevant laws and regulations are known, understood and implemented. Suppliers must respect the protection of internationally proclaimed human rights for all, including the basic human rights of employees within their supply chain. Therefore, suppliers must also work diligently with other, third-party suppliers to

systematically address the process for sourcing minerals that are conflict-free.

Melexis has not found any violations of human rights or instances of child labor or forced labor in the reports it received from its key suppliers.

6.8.2 Anti-corruption and anti-bribery

Melexis strives to fight corruption and seeks to avoid conflicts of interest. We want to distinguish ourselves from our competitors through high-quality products and excellent services. The slightest hint of corruption would conflict with this goal and with our values. The Melexis Code of Conduct provides directions and guidelines to prevent and deal with corruption. This policy has been communicated to all employees working for Melexis, in all the regions where Melexis is active. Melexis has launched and is further elaborating an anti-corruption training for its colleagues and governance body members (the members of the Board of Directors) to further reduce any risk of unacceptable behavior. Moreover, our purchasing policy provides our employees with clear guidelines on ethical business relationships with suppliers that are based on our core value of respect.

Melexis has determined that one of the main risks of corruption and/or bribery stems from dealing with Melexis stakeholders such as customers and suppliers, more specifically the acceptance and giving of personal gifts or hospitality to and from Melexis stakeholders. Additionally, Melexis has also identified abuse of function and trust as a main risk of corruption. The existence of corruption and/or the acceptance of bribes could result in loss of economic profits because of damage to Melexis' reputation and integrity.

Therefore, any agreement or understanding regarding favors or benefits in exchange for gifts will not be accepted by Melexis. Exceptions to this rule are only allowed for gifts of minimal value, given in the ordinary course of business, that do not result in any (impression of) partiality towards the gifting party. Melexis requires full disclosure of and prior relevant clearance for any gift that is not of minimal value or that may result in an impression of bias. For the 2022 reporting period, Melexis has not seen any incidents in this matter. Melexians have adopted the right mindset by requesting guidance from the legal department when in doubt about the appropriateness of gifts.

Melexis will also not pay or offer bribes or illicit payments to government officials, candidates or any other party in order to obtain or retain business. Melexis colleagues will

not assist others in profiting from opportunities discovered through their affiliation with Melexis and which should normally be served by Melexis. Melexis does not allow any personal relationship with a customer, supplier or competitor, in which personal interests conflict or might appear to conflict with that of the company. In case of a family (or any other personal) relationship, management must always be informed to avoid any conflict of interest.

Melexis also counts on all other business partners it engages with to uphold respectable standards on anti-corruption. Furthermore, the Melexis general purchase conditions require suppliers to comply with the Melexis Code of Conduct and with all applicable laws, rules and regulations on (international) trade. Key suppliers are equally required to sign a quality agreement that states, amongst others, that they ensure that all relevant laws and regulations are known, understood and implemented.

Melexis has seen no incidents of corruption in the 2022 reporting period. Melexis remains vigilant, engaged and willing to deal with all significant risks that might present themselves.

6.8.3 Anti-competitive behavior

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

6.8.4 Respect for privacy

Melexis continuously offers training to its employees, outlining how to use and process confidential, proprietary and personal information in a correct and secure manner.

Melexis has not received any substantiated complaints concerning breaches of **customer privacy**, neither from outside parties or from regulatory bodies during the reporting period. Similarly, Melexis has not identified any reportable leaks, thefts, or losses of customer data during the 2022 reporting period. However, we remain vigilant and keep actively investigating all privacy-related information processes and subsequent improvements.

In 2022, Melexis has not received any substantiated complaints concerning breaches of **employee privacy**. Following a compliance exercise, we had already adopted

all relevant GDPR guidelines. By means of our internal privacy policy, employees know they can exercise their right to request access to their data. We are currently taking all actions required to implement the new Chinese privacy legislation.

6.8.5 Mechanisms for advice and concerns about ethics

Melexis colleagues are encouraged to speak up if they experience, witness or learn of unlawful harassment, discrimination or unethical behavior. An internal speak-up policy has long been implemented to increase transparency and stimulate the reporting of any concerns regarding unethical behavior or incidents. Melexians can do so by means of easily accessible channels and tools, anonymous and otherwise. Employees are regularly reminded of the policy and the available reporting channels by means of internal news mails.

Our speak-up policy is being updated in view of the EU whistleblowing directive to ensure that colleagues have complete knowledge of how and where to report their concerns and how their reports will be processed. Melexis implements this directive nationally as soon as they come into force in member states. For example, Melexis is monitoring the national implementation of the directive in the relevant countries to implement any relevant changes in its internal and external policy.

Any colleague reporting a possible case of questionable conduct can expect a careful, fast, respectful and discreet examination of his or her report. Any act that is inconsistent with our Code of Conduct will be promptly corrected and is subject to disciplinary action, up to and including termination.

To date, Melexis has neither identified nor been informed of any violations of its Code of Conduct by employees and as such, no disciplinary actions have been needed. The Melexis Code of Conduct and our speak-up policy are publicly available on our website.

7 OUR CORPORATE GOVERNANCE

With the Royal Decree of 12 May 2019 (B.S.G. 17 May 2019), the 2020 Belgian Code on Corporate Governance (hereinafter “Code 2020”) was introduced as the new reference code on corporate governance as of 1 January 2020 for all listed companies in Belgium.

The full text of the Code 2020 can be found on the website of the Belgian Corporate Governance Committee, both in English and Dutch: www.corporategovernancecommittee.be/en/.

Melexis’ Corporate Governance Charter can be consulted on our website: www.melexis.com/en/investors/corporate-governance/corporate-governance-charter.

7.1 SHAREHOLDERS

Melexis seeks to guarantee transparent and clear communication with its shareholders. Active participation of the shareholders is encouraged by Melexis. In order to achieve this goal, the shareholders can find all important and relevant information on our website. Melexis publishes its annual reports, half-year reports, statutory reports, quarterly results and the financial calendar on its

website in the section ‘Investor Relations’. Melexis realizes that the publication of these reports and information benefits its trust-based relationship with its shareholders and other stakeholders.

Furthermore, Melexis is committed to guaranteeing shareholder rights:

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

7.2 MANAGEMENT STRUCTURE

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

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

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

The Chief Executive Officer is also the Chair of the Executive Management. The Executive Management is responsible for leading Melexis in accordance with the global strategy, values, planning and budgets approved by the Board of Directors.

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

The Directors of Melexis are:

Name	Age	Expiry mandate	Position
Françoise Chombar	60	2026	Chair and non-executive director
Marc Biron	52	2025	Managing director, CEO
Roland Duchâtelet	76	2026	Non-executive director
Shiro Baba	73	2025	Non-executive and independent director
Martine Baelmans	58	2026	Non-executive and independent director
Maria Pia De Caro	52	2025	Non-executive and independent director

7.3. BOARD OF DIRECTORS

Composition

In accordance with article 13 of Melexis' Articles of Association, the Board of Directors consists of at least 5 members, of which at least three members are independent in accordance with article 7:87 of the Belgian Code of Companies and Associations. The Board of Directors is composed of at least 50% of non-executive members and at least one executive member. Independent directors qualify as non-executive directors. The directors are appointed by the majority of the votes cast at the annual shareholders' meeting for a period of four years. In the same way, the annual shareholders' meeting may revoke a director at any time. There is no age limit for directors and directors with an expiring mandate can be reappointed within the limits stipulated in the Belgian Code of Companies and Associations.

Currently, the Chief Executive Officer is the only member of the Board of Directors that has an executive mandate. The Chair of the Board is Ms. Françoise Chombar.

The Board of Directors aims to achieve the largest possible diversity and complementarity between the board members. This is one of the key policy guidelines the Board takes into account when proposing a new director for appointment to the annual shareholders' meeting. As a result, the current composition of the Board of Directors also exceeds the requirement of article 7:86 of the Belgian Code of Companies and Associations that at least one third of its members has to be of a different gender.



Board of Directors

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

Ms. Françoise Chombar served as planning manager at Elmos GmbH (Germany) from 1986 to 1989. From 1989 she served as operations manager and director at several companies within the Elex group. In 1994, she was appointed Chief Operating Officer of Melexis. Ms. Chombar became director in 1996. In 2004, Ms. Chombar was appointed co-managing director and chief executive officer. After the resignation of Mr. Rudi De Winter, mid February 2011, as managing director and chief executive officer, Ms. Chombar continued these functions until August 2021. In 2021, she was appointed as Chair of Melexis' Board of Directors. Ms. Chombar is currently a board member at Umicore, a global materials technology and recycling group, and a member of its remuneration/nomination committee. She is equally a member of the board and the ESG/strategy committees of Soitec, a company specialized in developing and manufacturing semiconductor substrates. Ms. Chombar is also president of the STEM platform, an advisory board to the Flemish government, aiming to encourage young people to pursue an education in science, technology, engineering or mathematics. She holds a master's degree in interpreting in Dutch, English and Spanish from the University of Ghent.

Mr. Roland Duchâtelet has been a private shareholder of the company since April 1994 and has served as a director ever since. Prior to that date, Mr. Duchâtelet served in various positions in production, product development and marketing for several large and small companies. He contributed to the start-up of two other semiconductor manufacturers: Mietec Alcatel (Belgium) from 1983 to

1985 as business development/sales manager and Elmos GmbH (Germany) from 1985 to 1989 as marketing manager. Mr. Duchâtelet is the co-founder of the parent company of Melexis NV. He holds a degree in electronic engineering, a degree in applied economics and an MBA from the University of Leuven.

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

Mr. Shiro Baba has 38 years of professional and management experience in different fields related to the semiconductor business. He started his career in 1975 with the semiconductor division of Hitachi. As from 1999, he held several general management positions within the Hitachi semiconductor division. From 2003 until 2009, Mr. Baba was employed by Renesas Technology Corp. as

general manager of the automotive semiconductor business unit, among others, and later as board director and senior VP. His last mandate was president and CEO of Hitachi ULSI Systems Co. before retiring in 2013. In April 2013, Mr. Baba was appointed independent director of Melexis. Mr. Baba obtained a master's degree in electrical and physical engineering from the Tokyo Institute of Technology and in electrical engineering from Stanford University.

Ms. Martine Baelmans started her career at KU (Catholic University) Leuven in 1987 as assistant at the division of applied mechanics and energy conversion. Since 2006, she has been full professor at the faculty of engineering sciences. She is currently also vice-rector for education policy at KU Leuven. Ms. Baelmans holds a master's degree in mechanical engineering and a Ph.D. in engineering sciences from KU Leuven. Her research has mainly focused on thermodynamics and heat transfer, particularly in applications for electronics cooling.

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

Appointment and replacement of directors

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

Directors are appointed for a term not exceeding four years by the annual shareholders' meeting, which can also revoke their mandate at any time. An appointment or dismissal requires a simple majority of the votes cast.

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

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

Functioning of the Board of Directors

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

In 2022, the Board convened nine (9) times and treated, among others, the following topics:

- Financial results of the Group
- Financial and legal risks to which the Group is exposed
- Strategic review
- Dividend policy
- Budget for the next financial year
- Code of Conduct
- Land swap with Xpeqtis in Sofia, Bulgaria
- Expansion in Malaysia
- Supply chain
- Recommendations of the Audit Committee and the Nomination and Remuneration Committee
- Sustainability (ESG).

Ms. Martine Baelmans could not attend the meeting of the Board of Directors on 22 April and 9 December 2022.

Evaluation of the Board and its Committees

The effectiveness of the Board of Directors and its Committees is monitored and reviewed every three years in order to achieve possible improvements in the management of Melexis. The last review was performed in 2022, led by the Chair.

In the evaluation, special attention is paid to:

- The functioning of the Board of Directors and its relevant committees
- The thoroughness with which important issues are prepared and discussed
- The effectiveness of the interaction with the Executive Management
- The quality of the information provided
- The individual contribution of each member of the Board.

The overall outcome of the evaluation was very positive. Providing detailed (technical) information, including related risks and risk mitigation, well on time, to each Director remains key.

7.4 COMMITTEES

Audit Committee

The Audit Committee assists the Board of Directors in its supervisory duties with respect to the internal supervision in the broadest sense, including the financial reporting, as described in the company's Corporate Governance Charter and article 7:99 of the Belgian Code of Companies and Associations. The Audit Committee also monitors the assessment and follow-up by the Executive Management of the auditor's recommendations.

The Audit Committee is composed of three non-executive members: Mr. Shiro Baba, independent director and Chair, Mr. Roland Duchâtelet, director and Ms. Maria Pia De Caro, independent director.

According to article 7:99 of the Belgian Code of Companies and Associations, the members of the Audit Committee as a whole have competencies relevant to the sector in which Melexis is operating and at least one of its members has a competence in auditing and accounting. Both Ms. Maria Pia De Caro and Mr. Shiro Baba comply with the latter requirement through their relevant work experience. In this respect, we refer to the short biographies of the previously mentioned members in this chapter.

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

The Audit Committee met five (5) times in 2022. All members were present at all the meetings.

In addition to the exercise of its legal powers and the duties listed in the Melexis Corporate Governance

Charter, the Audit Committee reviewed, among others:

- Statutory audit fees
- Reports of the statutory auditor
- Internal audit updates.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee, which qualifies as a remuneration committee pursuant to article 7:100 of the Belgian Code of Companies and Associations, advises, among others, the Board of Directors concerning the way in which the company's strategic objectives may be promoted by adopting an appropriate nomination and remuneration program. This committee supervises the development of remuneration, allocation of variable remuneration and the general performance within Melexis.

The Nomination and Remuneration Committee is composed of three non-executive members of which a majority of independent directors: Ms. Françoise Chombar, director and Chair, Ms. Martine Baelmans, independent director and Ms. Maria Pia De Caro, independent director. The committee has the relevant expertise regarding remuneration policy.

The Nomination and Remuneration Committee met two (2) times in 2022. All members were present at all the meetings.

In addition to the exercise of its legal powers and the duties listed in the Melexis Corporate Governance Charter, in 2022 the Nomination and Remuneration Committee reviewed, among others:

- Remuneration and variable remuneration of the Executive Management
- Assessment of the variable remuneration of the CEO
- HR strategy and policies
- Evaluation of the Executive Management team and succession planning
- Sustainability (ESG).

7.5 EXECUTIVE MANAGEMENT

Composition

The Executive Management is composed of the following members⁶:

Name	Age	Position
Marc Biron	52	Chief Executive Officer
Kristof Coddens	52	VP Artificial Intelligence
Antonius Duisters	55	VP Sense & Drive
Karen van Griensven	52	Chief Financial Officer
Vincent Hiligsmann	52	VP Corporate Strategy - Global Sales, Brand & Communication
Veerle Lozie	49	Chief Operations and Information Officer
Damien Macq	56	VP Sense & Light
Nicolas Simonne	48	VP Development & Quality
Heidi Stieglitz ⁷	63	VP Human Resources & Sites

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



Executive Management

Karen van Griensven, Kristof Coddens, Damien Macq, Marc Biron, Veerle Lozie, Nicolas Simonne, Vincent Hiligsmann, Antonius Duisters

⁶ Certain members are representatives of private companies with limited liability (BV/SRL).

⁷ Ms. Heidi Stieglitz' mandate ended on July 1, 2022.

7.6 REMUNERATION REPORT

Introduction

The remuneration of the directors and the Executive Management is governed by Melexis' remuneration policy which can be found under www.melexis.com/en/investors/corporate-governance/corporate-governance-charter. This remuneration policy was approved by the shareholders' meeting on 11 May 2021.

In order to recognize the great efforts of the personnel to secure the company objectives in 2022, all employees were awarded with a 10% increase to their variable pay. This also applies to (the short-term variable pay of) members of the Executive Management and the CEO and is a deviation from the remuneration policy as published on the website.

Total remuneration

The application of the remuneration policy during 2022 for the directors and executives lead to the effective remuneration as shown in the table on the next page.

Directors receive a fixed annual compensation for their mandate as director. Such compensation is independent from their participation rate in board meetings or the number of board committees they are member of. Executive directors do not receive any remuneration for their mandate. Roland Duchâtelet and Françoise Chombar waived any remuneration for their mandate.

in EUR

Name - position	1. Fixed remuneration			2. Variable remuneration		3. Extraordinary items	4. Pension expense	5. Total remuneration	6. Proportion of fixed and variable remuneration
	Base salary	Fees	Other benefits	One-year variable	Multi-year variable				
Françoise Chombar - Non-executive director	–	–	–	–	–	–	–	–	Fixed: - Variable: -
Roland Duchâtelet - Non-executive director	–	–	–	–	–	–	–	–	Fixed: - Variable: -
Shiro Baba - Independent director	20,000	–	–	–	–	–	–	20,000	Fixed: 100% Variable: 0%
Martine Baelmans - Independent director	20,000	–	–	–	–	–	–	20,000	Fixed: 100% Variable: 0%
Maria Pia de Caro - Independent director	20,000	–	–	–	–	–	–	20,000	Fixed: 100% Variable: 0%
Marc Biron - Executive director	–	–	–	–	–	–	–	–	Fixed: - Variable: -
Marc Biron Consulting BV, permanently represented by Marc Biron - Executive, CEO	354,167	–	–	116,875	53,976	–	–	525,018	Fixed: 67.46% Variable: 32.54%
Executive Management excl. Marc Biron Consulting BV	2,197,852	–	112,780	600,730	271,932	–	86,690	3,269,984	Fixed: 73.31% Variable: 26.69%

Application of the performance criteria

a. CEO

The variable remuneration for the CEO is a cash bonus that is capped at 50% of the annual base salary. It contains both a short, medium and long-term element:

- i. Short term: 50% is based on performance criteria measured over one financial year
- ii. Medium term: 25% is based on performance criteria measured over two financial years
- iii. Long term: 25% is based on performance criteria measured over three financial years.

The cash bonus for the CEO is dependent on the achievement of the target revenue growth and target EBIT growth over the reference period, which are measured on a Melexis Group consolidated basis, based on IFRS accounting standards. The same targets are used for the short, medium and long-term bonus. This KPI ensures a link between the bonus and the recurring operational result of Melexis.

		Revenue growth		
		<10%	>10% - <15%	>15%
EBIT growth	<10%	0	25%	50%
	>10% - <15%	50%	75%	100%
	>15%	75%	100%	100%

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

The results for performance year 2022 are shown in the table below. Compared to 2021, the revenue growth was 30% while the EBIT growth was 53%. This means that 100% of the short-term cash bonus will be paid out. This amount will be increased by an exceptional 10% applicable to all personnel as well as a 20% discretionary increase awarded to the current CEO by the Board of Directors on the basis of reasoned advice from the Nomination and Remuneration Committee.

in EUR

Marc Biron Consulting BV performance criteria	a	Minimum threshold performance	a	Maximum performance	a	Measured performance	Total short-term cash bonus incl. discretionary increases
	b	Corresponding remuneration	b	Corresponding remuneration	b	Actual remuneration outcome	
Target revenue growth and EBIT growth	a	Revenue and EBIT growth <10%	a	Revenue and EBIT growth >15%	a	EBIT growth: 53% Revenue growth: 30%	10 % to all personnel 20% individual
	b	0	b	88,542	b	88,542	116,875
TOTAL BONUS							116,875

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

The results for performance year 2022 are shown in the table below. Compared to 2020, the revenue growth was 65% while the EBIT growth was 200%. This means that 100% of the medium-term cash bonus will be paid out.

in EUR

Marc Biron Consulting BV performance criteria	a	Minimum threshold performance	a	Maximum performance	a	Measured performance
	b	Corresponding remuneration	b	Corresponding remuneration	b	Actual remuneration outcome
Target revenue growth and EBIT growth	a	Revenue and EBIT growth <10%	a	Revenue and EBIT growth >15%	a	EBIT growth: 200% Revenue growth: 65%
	b	0	b	26,988	b	26,988
TOTAL BONUS						26,988

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

The results for performance year 2022 are shown in the table below. Compared to 2019, the revenue growth was 72% while the EBIT growth was 221%. This means that 100% of the long-term cash bonus will be paid out.

in EUR

Marc Biron Consulting BV performance criteria	a	Minimum threshold performance	a	Maximum performance	a	Measured performance
	b	Corresponding remuneration	b	Corresponding remuneration	b	Actual remuneration outcome
Target revenue growth and EBIT growth	a	Revenue and EBIT growth <10%	a	Revenue and EBIT growth >15%	a	EBIT growth: 221% Revenue growth: 72%
	b	0	b	26,988	b	26,988
TOTAL BONUS						26,988

b. Other members of the Executive Management

The variable remuneration for the other members of the Executive Management contains a short, medium and long-term element:

- i. Short term: 25% to 30% (depending on whether a certain member of the Executive Management is involved in business creation or not) is based on performance criteria measured over one financial year
- ii. Medium term: 10% is based on performance criteria measured over two financial years
- iii. Long term: 10% is based on performance criteria measured over three financial years.

The short-term cash bonus is calculated on yearly established targets on the basis of the following performance criteria, which are all measured on a Melexis Group consolidated basis, based on IFRS accounting standards:

- i. 50% based on the global business performance measured through the achievement of the target revenue growth and target EBIT growth of Melexis over the performance year as indicated in the table below. This KPI ensures a link between the bonus and the operational result of Melexis
- ii. 50% based on the individual/team performance measured through achievement of pre-established targets.

An additional 20% (corresponds to max 5% (no business creation) or 6% (business creation) of the annual base salary) was awarded to some members of the Executive Management on top of the short-term cash bonus at the discretion of the Board of Directors upon recommendation of the Nomination and Remuneration Committee.

For the medium and long-term cash bonus, Melexis' performance against approved financial targets regarding revenue growth and EBIT growth is taken into consideration. This 20% of the cash bonus is paid out subject to the verification of the global business performance over two (medium-term) or three (long-term) years.

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

The results for performance year 2022 are shown in the table below. Compared to 2021, the revenue growth was 30% while the EBIT growth was 53%. This means that 100% of the short-term cash bonus will be paid out. This amount will be increased by the exceptional 10% applicable to all personnel.

in EUR

Performance criteria	a	Minimum threshold performance	a	Maximum performance	a	Measured performance	Total short-term cash bonus incl. discretionary increases
	b	Corresponding remuneration	b	Corresponding remuneration	b	Actual remuneration outcome	
Target revenue growth and EBIT growth	a	Revenue and EBIT growth <10%	a	Revenue and EBIT growth >15%	a	EBIT growth: 53% Revenue growth: 30%	10% to all personnel 20% discretionary to some members
	b	0	b	247,717	b	247,717	300,365
Individual/team performance (+ individual discretionary)	a		a		a		
	b	0	b	247,717	b	247,717	300,365
TOTAL BONUS							600,730

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

The results for performance year 2022 are shown in the table below. Compared to 2020, the revenue growth was 65% while the EBIT growth was 200%. This means that 100% of the medium-term cash bonus will be paid out.

in EUR

Performance criteria	a	Minimum threshold performance	a	Maximum performance	a	Measured performance
	b	Corresponding remuneration	b	Corresponding remuneration	b	Actual remuneration outcome
Target revenue growth and EBIT growth over two financial years	a	Revenue and EBIT growth <10%	a	Revenue and EBIT growth >15%	a	EBIT growth: 200% Revenue growth: 65%
	b	0	b	153,350	b	153,350
TOTAL BONUS						153,350

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

The results for performance year 2022 are shown in the table below. Compared to 2019, the revenue growth was 72% while the EBIT growth was 221%. This means that 100% of the long-term cash bonus will be paid out.

in EUR

Performance criteria	a	Minimum threshold performance	a	Maximum performance	a	Measured performance
	b	Corresponding remuneration	b	Corresponding remuneration	b	Actual remuneration outcome
Target revenue growth and EBIT growth over three financial years	a	Revenue and EBIT growth <10%	a	Revenue and EBIT growth >15%	a	EBIT growth: 221% Revenue growth: 72%
	b	0	b	118,582	b	118,582
TOTAL BONUS						118,582

Share-based remuneration

The remuneration policy of Melexis does not provide for share-based remuneration for directors or executives.

Evolution of the remuneration and performances of Melexis

The table below provides an overview on the annual change of total remuneration, developments and performance of Melexis, average remuneration of employees and the ratio of the highest and the lowest remuneration on a full-time equivalent basis. To ensure comparability, the annual change in remuneration is only reported since the implementation of Directive (EU) 2017/828 as regards the encouragement of long-term shareholder engagement.

	2018	2019	2020	2021	2022
Annual change in the remuneration of directors and members of the Executive Management					
Fixed remuneration				5.0%	17.4%
Variable remuneration				155.3%	28.3%
Total remuneration				22.9%	26.8%
Annual change in the developments and performances					
Performance criteria (EBIT)	4.4%	-49.0%	6.9%	96.5%	52.6%
Performance criteria (revenue)	11.3%	-14.5%	4.2%	26.9%	29.9%
Net profit	4,1%	-47,8%	15,0%	89,2%	50.3%
Annual change in the average remuneration of employees*					
	-2.9%	0.7%	4.7%	3.9%	0.7%

*The average employee remuneration was calculated with the numbers as reported in note 8.9.5.W (Wages and salaries) in this annual report (Personnel expenses and average number of employees); including variable pay, social security, pension and benefit costs.

In 2022 the ratio between the highest and lowest remuneration was 56.6 to 1. The highest remuneration of a member of the Executive Management used for this comparison includes the total remuneration paid in 2022.

All figures are presented on a Melexis Group consolidated basis in the table above.

Severance payments

No severance payments took place as no management contract with a member of the Executive Management was terminated in 2022.

Use of claw-back provisions

In 2022, no claw-back occurred.

Deviations from the remuneration policy

In order to recognize the great efforts of the personnel to secure the company objectives in 2022, all personnel were awarded with a 10% increase to their variable pay. The remuneration committee and the Board decided that this should also apply to (the short-term variable pay of) members of the Executive Management and the CEO. This additional variable pay deviates from the remuneration policy as published on the website.

Vote of the shareholders

The annual shareholders' meeting of 10 May 2022 has approved the remuneration report regarding the financial year ending on 31 December 2021 with a 98.14% majority of the 77.73% validly cast votes. As the remuneration report was approved with a large majority and Melexis still believes in the principles included therein, Melexis will retain its remuneration policy.

7.7 POLICY ON CERTAIN TRANSACTIONS

Conflicts of interest in the Board of Directors

According to article 7:96 of the Belgian Code of Companies and Associations, a member of the Board of Directors has to inform the other directors about any item on the agenda of the Board that will cause a direct or indirect conflict of interest of a financial nature to him/her. In this event, the respective director may not participate in the deliberation and voting on this agenda item.

In 2022 there was one conflict of interest as per article 7:96 of the Belgian Code of Companies and Associations:

“Applicability of Article 7:96 BCAC:

Roland Duchatelet declares that he has interests of a patrimonial nature in Xpeqtis EOOD (Xpeqtis) that may conflict with that of Melexis NV (Melexis) regarding this agenda item and therefore he will not take part in the deliberation of and voting on this agenda item. He leaves the call.

In accordance with article 7:96 of the Belgian Companies and Associations Code (BCAC), the director concerned cannot participate in the deliberation or decision and the minutes must contain the following information: nature of the transaction, justification of the decision taken and the financial consequences of the transaction for Melexis. The statutory auditor of Melexis shall be notified of the conflict of interest and the fact that the application of the procedure under article 7:96 BCAC has been triggered.

For the application of article 7.96 BCAC, the board hereby further identifies:

Nature of the transaction:

Background: Xpeqtis bought 100.000 sq.m. land in 2000. Melexis owns its own infrastructure on this plot of land since 2008 and in 2018 Melexis purchased 35.000 sq.m. land from Xpeqtis including the land of the infrastructure to allow further expansion.

Transaction: The split of the original Xpeqtis plot of land between Xpeqtis and Melexis was not optimal as it resulted in Xpeqtis ending up with separated pieces of land. Therefore, companies intend to swap land, in order for Xpeqtis to reunite those separated pieces of land.

Justification of the decision:

This swap would allow for Xpeqtis to develop the neighborhood into a multi-functional area (recreational/professional/parking), while Melexis keeps the opportunity to further expand and to benefit as well from the development by Xpeqtis of the area.

Patrimonial consequences of the transaction for Melexis:

Today's value of the land is ca. 290-294 EUR/sq.m. Reference is made to a valuation report prepared by an independent third party, that concludes that the swap of the pieces of land is to be considered fair and equivalent. The patrimonial consequences of the transaction are therefore close to zero for Melexis, considering minor fees related to the needed documentation and formalities related to the swap.

Decision of the Board:

The Board of Directors, based upon the valuation report and further information received, unanimously agrees that Melexis (and Xpeqtis) can proceed with the necessary formal steps towards a potential land swap.”

Related parties transactions

Pursuant to article 7:97 of the Belgian Code of Companies and Associations, companies listed on the stock exchange must follow a special procedure before decisions are taken or operations are executed concerning related parties.

In 2022, the above mentioned procedure regarding related parties transactions did not need to be applied.

Other transactions with directors and Executive Management

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

In 2022, there were no transactions between the company and its directors or a member of the Executive Management involving a conflict of interest. All related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

Insider trading

Melexis developed an Insider Trading Policy to comply with the European and Belgian provisions on Insider Trading and Market Abuse. In this respect, a list is kept up to date of all people with managerial responsibilities as well as all other people who have access to sensitive information related to the Melexis share.

The purpose of the Melexis Insider Trading Policy is to prevent the abuse of inside information.

Before trading any company shares, the members of the Board of Directors and the Executive Management have to receive the green light from the Compliance Officer and have to report back once the transaction has been completed. Furthermore, in compliance with the same legislation, the members of the Board of Directors and the Executive Management as well as their closely associated persons have to notify all their transactions above a certain threshold in Melexis shares to the Belgian Financial Services and Markets Authority, who will publish these notices on its website.

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

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

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

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

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

financial information before sending it to the Global Finance Department.

- In the Global Finance Department, the financial information will receive its final review before it is included in the consolidated financial statements.
- All Melexis sites use the same software for the reporting of the financial data for consolidation.
- Random checks are made to assure that:
 - Transactions have been saved as required for the preparation of the financial accounts in conformity with the IFRS accounting principles.
 - Transactions have been approved by the authorized persons of the company.

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

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

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

- Risks that the company is confronted with are detected and monitored with the responsible persons of the different functions of the company.
- By using an automated ERP system, the responsible persons of the functions have permanent access to the financial information with regard to their function for monitoring, controlling and directing purposes with regard to their business activities.
- Closing the accounts at the end of every month warrants that the financial consequences of the identified risks are monitored closely to be able to anticipate possible adverse evolutions.
- The financial results are also reviewed monthly on a global level.
- A data protection system based on antivirus software, internal and external backup of data and the controlling of access rights to information, protects the company's information and guarantees the continuity of the financial reporting. The adequacy and integrity of these IT systems and procedures are reviewed regularly.
- In accordance with the 2020 Belgian Code on Corporate Governance, Melexis has set up an internal audit function, whose resources and skills are adapted to assess the financial reporting and the risk management of the

company. The Audit Committee receives a periodic summary of the internal audit activities.

7.9 ELEMENTS PERTINENT TO A TAKE-OVER BID

Capital structure

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

Restrictions on the transfer of securities

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

Restrictions on the exercise of voting rights

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

No one can vote at the annual shareholders' meeting using voting rights attached to securities that have not been reported in due time in accordance with the Articles of Association and with the law.

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

Agreements among shareholders

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

Amendments to the Articles of Association

The Articles of Association can be amended by an Extraordinary General Meeting in accordance with the Belgian Code of Companies and Associations. Each

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

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

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

The Board of Directors is authorized by the Extraordinary General Meeting of 23 April 2019 to acquire own shares of the company, either directly or by a person acting in his or her own name but on behalf of the company or by a direct subsidiary within the meaning of Article 1:14, §2, 1°, 2° and 4° of the Belgian Code of Companies and Associations. The company is subject to the following conditions for the acquisition of own shares in the context of Article 7:215 of the Belgian Code of Companies and Associations:

- This authorization applies to a number of own shares that is at most equal to the number of shares as a result of which, due to the acquisition thereof, the limit of 20% referred to in Article 620, § 1, first section, 2° of the Belgian Companies Code would have been achieved.
- The acquisition of a share in the framework of this authorization must take place at a price per share between EUR 0,01 and EUR 100,00.
- The par value of the number of own shares to be acquired that the company wishes to purchase, including the previously acquired own shares held by the company, may not exceed twenty per cent (20%) of the share capital of the company.
- The compensation for the acquisition of these own shares may not exceed the company's resources that, in accordance with Article 7:212 of the Belgian Code of Companies and Associations, are eligible for distribution.
- The acquisition of the shares in the framework of this authorization will entail the immediate creation of a non-distributable reserve 'acquisition of own shares' equal to the global purchase price of the acquired shares, and this by means of a withdrawal from the available profit reserve. The creation of a non-distributable reserve is only mandatory if and for as long as the shares are held in portfolio.

This authorization is valid for a period of five (5) years from the publication of this decision in the Belgian Official Journal (10 May 2019). The existing authorizations of the

Board of Directors for the alienation of own shares held in accordance with article 7:218, §1, of the Belgian Code of Companies and Associations and article 622, §2, 1° of the former Belgian Companies Code were awarded for an indefinite period by the resolutions of the Extraordinary General Meeting of 22 April 2014:

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

The Board of Directors is also authorized for an indefinite period of time to dispose of purchased own shares in accordance with article 7:218, §2, section 2, 1° of the Companies Code to the extent that the shares are disposed of on the regulated market on which they are quoted.

On 31 December 2022, the Melexis Group was not in the possession of any shares in the registered capital of the company.

Termination of management agreements

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

Other elements

The company has not issued securities with special control rights. No agreements have been concluded between the company and its directors or employees providing for a

compensation if, as a result of a take-over bid, the directors resign or are made redundant without valid reason or if the employment of the employees is terminated.

7.10 AUDITOR

PwC Bedrijfsrevisoren BV, whose registered office is situated at Culliganlaan 5, 1831 Machelen, listed in the Register for Legal Entities of Brussels with company number 429.501.944, was appointed as statutory auditor of the company. Ms. Sofie Van Grieken, auditor, was appointed as the permanent representative of the auditor.

7.11 COMPLIANCE WITH THE 2020 BELGIAN CODE ON CORPORATE GOVERNANCE

Melexis does not grant shares, options or other rights to acquire shares to the members of its Executive Management. Contrary to recommendation 7.9 of the Code 2020, the members of the Executive Management are not required to hold a minimum threshold of shares in the company. Melexis strongly believes in the self-determination theory (by Edward L. Deci and Richard M. Ryan, psychologists at the University of Rochester) arguing that contingent rewards can have detrimental effects on intrinsic motivation, creativity and innovation. Within Melexis, we focus on intrinsic value creation for the company; the share price is a result thereof. The financial numbers which impact the level of the business component of the variable remuneration, i.e. revenue growth and EBIT growth, are important elements driving the valuation of the company. As such, we believe there is a clear alignment between shareholders on the one hand and management and the Melexis community on the other.

Also directors do not receive shares in the company as part of their remuneration. The latter deviates from recommendation 7.6 of the Code 2020 for non-executive Directors. The purpose of the recommendation is to better align the interests of non-executive directors with the long-term shareholder interest. At Melexis, that long-term shareholder perspective is sufficiently represented on the Board of Directors since two directors, one of whom is Chair, are important (indirect) shareholders of the company.

8 FINANCIAL REPORT

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8.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in EUR

31 December		2022	2021
ASSETS			
Current assets:	Cash, and cash equivalents (Note 8.9.5.A)	85,080,008	34,950,394
	Current investments, derivatives (Note 8.9.5.B)	12,500,754	10,356,160
	Accounts receivable - trade (Note 8.9.5.C)	107,547,507	80,229,168
	Accounts receivable - related companies (Note 8.9.5.D)	1,285,880	5,179,602
	Assets for current tax (Note 8.9.5.E)	1,593,576	5,976,258
	Inventories (Note 8.9.5.F)	179,648,793	144,490,280
	Other current assets (Note 8.9.5.G)	20,078,633	10,680,012
Total current assets		407,735,150	291,861,874
Non-current assets:	Deferred tax assets (Note 8.9.5.E)	27,832,233	25,230,552
	Other non-current assets (Note 8.9.5.D)	2,369,107	3,140,921
	Property, plant and equipment (Note 8.9.5.H)	135,078,652	132,020,095
	Intangible assets (Note 8.9.5.I)	3,049,458	4,334,611
	Leased assets (Note 8.9.5.J)	4,168,369	4,592,441
Total non-current assets		172,497,818	169,318,620
TOTAL ASSETS		580,232,969	461,180,495

in EUR

31 December		2022	2021
LIABILITIES			
Current liabilities:	Lease liabilities (Note 8.9.5.J)	1,709,951	1,718,141
	Accounts payable - trade (Note 8.9.5.K)	28,728,082	22,667,627
	Accounts payable - related companies (Note 8.9.5.D)	26,195,316	19,785,548
	Short-term employee benefits accruals (Note 8.9.5.L)	21,103,825	17,810,905
	Accrued taxes (Note 8.9.5.E)	1,283,753	789,822
	Other current liabilities (Note 8.9.5.K)	5,105,614	4,002,058
	Deferred income (Note 8.9.5.M)	3,952,550	2,437,459
Total current liabilities		88,079,092	69,211,560
Non-current liabilities:	Lease liabilities (Note 8.9.5.J)	2,538,904	2,908,663
	Other non-current liabilities (Note 8.9.5.N)	4,272,000	—
	Deferred tax liabilities (Note 8.9.5.E)	3,259,743	3,824
Total non-current liabilities		10,070,647	2,912,487
Equity:	Shareholders' capital	564,814	564,814
	Legal reserve	56,520	56,520
	Retained earnings	485,241,671	393,129,007
	Cumulative translation adjustment	(3,780,184)	(4,694,303)
Equity attributable to company owners		482,082,821	389,056,038
	Non-controlling interest	410	410
Total equity (Note 8.9.5.Y)		482,083,231	389,056,448
TOTAL EQUITY AND LIABILITIES		580,232,969	461,180,495

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

8.2 CONSOLIDATED INCOME STATEMENT

in EUR

31 December	2022	2021
Total revenue (Note 8.9.5.O)	836,157,480	643,786,021
Cost of sales (Note 8.9.5.P)	(461,478,979)	(370,185,495)
Gross margin	374,678,501	273,600,526
Research and development expenses (Note 8.9.5.Q)	(90,211,394)	(78,387,958)
General and administrative expenses (Note 8.9.5.R)	(40,887,499)	(32,052,847)
Selling expenses (Note 8.9.5.S)	(17,051,541)	(14,711,311)
Income from operations (EBIT)	226,528,067	148,448,410
Financial income (Note 8.9.5.T)	23,526,001	13,199,634
Financial charges (Note 8.9.5.T)	(11,675,047)	(7,347,737)
Profit or loss before tax	238,379,021	154,300,306
Income tax (Note 8.9.5.E)	(41,226,357)	(23,192,091)
Net profit or loss for the period	197,152,664	131,108,216
Earnings per share attributable to the ordinary equity holders of the parent		
Earnings per share non-diluted (Note 8.9.5.AC)	4.88	3.25
Earnings per share diluted (Note 8.9.5.AC)	4.88	3.25

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

8.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR

31 December	2022	2021
Net profit or loss	197,152,664	131,108,216
Other comprehensive income		
Recyclable items of profit or loss		
Cumulative translation adjustment	914,119	1,418,523
Total other comprehensive income for the period	914,119	1,418,523
Total comprehensive income (loss) for the period	198,066,783	132,526,739
Total comprehensive income attributable to:		
Owners of the parent	198,066,783	132,526,739
Non-controlling interests	—	—

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

8.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR

	Number of shares	Share capital	Legal reserve	Retained earnings	Reserve treasury shares	CTA	Non-controlling interest	Total equity
31 December 2020	40,400,000	564,814	56,520	324,085,148	(3,817,835)	(6,112,907)	410	314,776,149
Net income		–	–	131,108,216	–	–	–	131,108,216
CTA movement		–	–	(81)	–	1,418,605	–	1,418,523
Dividends		–	–	(88,880,000)	–	–	–	(88,880,000)
Sale own shares		–	–	26,815,725	3,817,835	–	–	30,633,560
31 December 2021	40,400,000	564,814	56,520	393,129,007	–	(4,694,303)	410	389,056,448
Net income		–	–	197,152,664	–	–	–	197,152,664
CTA movement		–	–	–	–	914,119	–	914,119
Dividends		–	–	(105,040,000)	–	–	–	(105,040,000)
31 December 2022	40,400,000	564,814	56,520	485,241,671	–	(3,780,184)	410	482,083,231

No purchases of own shares took place in 2021 and 2022.

8.5 CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR

31 December (indirect method)	2022	2021
Cash flows from operating activities		
Net profit	197,152,664	131,108,216
Adjustments for operating activities		
Deferred taxes (Note 8.9.5.E)	(2,601,681)	3,259,779
Unrealized financial results (Note 8.9.5.T)	1,320,203	(6,489,626)
Accrued income tax (Note 8.9.5.E)	36,982,554	16,817,249
Government grants (Note 8.9.5.U)	2,485,816	844,434
Depreciation and amortization (Note 8.9.5.V)	43,323,642	42,996,800
Depreciation and amortization leased assets (Note 8.9.5.J)	1,842,949	1,794,991
Financial results (Note 8.9.5.T)	(11,273,109)	1,954,204
Operating profit before working capital changes	269,233,039	192,286,048
Accounts receivable, net (Note 8.9.5.C)	(27,324,221)	(15,098,538)
Other current assets (Note 8.9.5.G) ⁸	(7,491,268)	(2,098,581)
Other non-current assets (Note 8.9.5.D)	771,288	1,061,712
Due from related companies (Note 8.9.5.D)	3,893,722	(4,807,240)
Due to related companies (Note 8.9.5.D)	6,409,768	4,026,542
Accounts payable (Note 8.9.5.K)	6,056,722	4,285,333
Employee benefit liabilities (Note 8.9.5.L)	3,292,921	5,929,275
Other current liabilities (Note 8.9.5.K)	932,425	526,044
Other non-current liabilities* (Note 8.9.5.N) ⁹	9,043,010	(565,208)
Inventories (Note 8.9.5.F)	(40,379,637)	(26,700,113)
Interest paid (Note 8.9.5.T)	(112,044)	(112,062)
Prepayment income tax (Note 8.9.5.E)	(36,488,622)	(16,500,783)
Net cash from operating activities	187,837,102	142,232,430

⁸ of which EUR 3,589,565 income tax receivable. Adding this amount to the movement on accrued income tax gives a total of EUR 40,572,119 current tax expenses (note 8.9.5.E).

⁹ of which EUR 3,255,919 deferred income tax liability. Adding this amount to the movement on deferred taxes gives a total of EUR 654,238 deferred tax expenses (note 8.9.5.E).

*of which EUR 4,272,000 warranty provision (note 8.9.5.N)

31 December (indirect method)	2022	2021
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets (Note 8.9.5.H and 8.9.5.I)	(39,883,633)	(39,088,143)
Interest received (Note 8.9.5.T)	50,121	5,331
Investments, proceeds, from current investments	12,543,070	244,971
Net cash used in investing activities	(27,290,442)	(38,837,842)
Cash flows from financing activities		
Repayment and proceeds from long-term debts (Note 8.9.5.X)	–	(62,008,402)
Repayment leasings (Note 8.9.5.J)	(1,841,449)	(2,784,317)
Impact of exchange results on financing items	(3,519,423)	(4,315,933)
Dividend payment (Chapter 8.4)	(105,040,000)	(88,880,000)
Sale of shares	–	30,633,560
Net cash used in financing activities	(110,400,872)	(127,355,092)
Effect of exchange rate changes on cash	(16,173)	27,849
Cash at beginning of the period	34,950,394	58,883,048
Cash at end of the period	85,080,008	34,950,394
Cash at end of the period minus cash at beginning of the period	50,129,614	(23,932,655)

There are no debt movements (no cash movement and no non-cash changes).

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

8.6 RESULT OF OPERATIONS

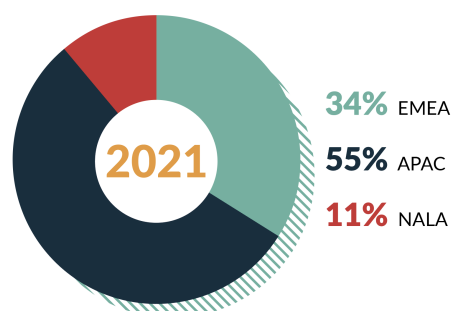
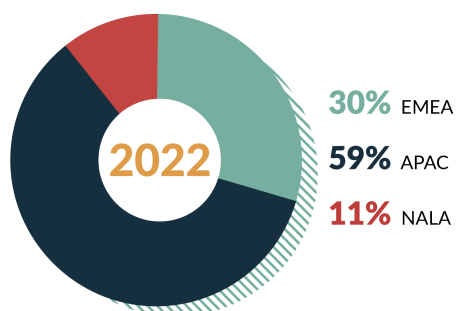
The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the company's financial statements from previous years.

Revenue

In 2022, total revenue increased by 29.9% compared to 2021, from EUR 643,786,021 in 2021 to EUR 836,157,480 in 2022. These results were positively influenced by content growth, product mix, pricing and currency effects.

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

APAC continued being the largest region for Melexis, representing 59% of total sales in 2022, led by China, Hong Kong and Japan with respectively EUR 115,821,881, EUR 75,139,925 and EUR 63,515,326 in sales. EMEA, being the second largest region for Melexis, accounted for 30% of total sales. NALA comes in third, accounting for 11% of sales in 2022.



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 461,478,979 in 2022 compared to EUR 370,185,495 in 2021. Expressed as a percentage of total revenue, the cost of sales decreased from 57.5% in 2021 to 55.2% in 2022, mainly because of a larger increase in sales than in costs.

Gross margin

The gross margin, expressed as a percentage of total revenues, increased from 42.5% in 2021 to 44.8% in 2022, mainly due to a better product mix and pricing.

Research and development expenses

Research and development expenses amounted to EUR 90,211,394 in 2022, representing 10.8% of total revenue, versus EUR 78,387,958 in 2021. The main research and development activities focused on magnetic sensors, inductive sensors, pressure sensors, temperature sensors, optical sensors, tire monitoring sensors, sensor interfaces, embedded drivers, embedded lighting and smart drivers.

General, administrative and selling expenses

General, administrative and selling expenses mainly consisted of salaries and salary related expenses, office equipment and related expenses. The general, administrative and selling expenses increased by 23.9% compared to 2021. The main variance is attributable to an increase in salaries due to wage inflation and external services.

Income from operations

The company recorded an operational income for 2022 of EUR 226,528,067 compared to EUR 148,448,410 in 2021, an increase of 52.6%. The increase in gross margin, combined with a smaller increase in operating expenses than in sales, led to an increase in the operating margin from 23.1% in 2021 to 27.1% in 2022.

Financial result

The net financial result amounted to EUR 11,850,954 profit in 2022 compared to EUR 5,851,897 profit in 2021. The increase in net financial result was mainly related to the sale of half of the inflation swaps, resulting in a realized financial gain of EUR 12,646,535 in 2022. The remaining inflation swap position resulted in an unrealized financial gain of EUR 2,225,512 (Note 8.9.5.T). The (net) interest result amounted to a loss of EUR 456,261 in 2022 compared to a loss of EUR 524,946 in 2021. The currency exchange result (both realized and unrealized) amounted to a loss of EUR 2,275,615 in 2022, compared to a loss of EUR 3,527,217 in 2021.

Income taxes

Income taxes amounted to EUR 41,226,357 in 2022 compared to EUR 23,192,091 in 2021 (Note 8.9.5.E).

Net income

The company recorded a net income for 2022 of EUR 197,152,664, an increase of 50.4% compared to 2021.

8.7 LIQUIDITY, WORKING CAPITAL AND CAPITAL RESOURCES

Cash and cash deposits amounted to EUR 85,080,008 as of 31 December 2022, compared to EUR 34,950,394 as of 31 December 2021.

In 2022, operating cash flow before working capital changes amounted to EUR 269,233,039 compared to EUR 192,286,048 in 2021. Net operating cash flow including working capital changes amounted to EUR 187,837,102. This amount was mainly impacted by changes in inventories, accounts receivable and income tax prepayment.

The cash flow from investing activities was negative by an amount of EUR 27,290,442, as a result of investments in fixed assets amounting to EUR 39,883,633 compensated by interest received for an amount of EUR 50,121 and proceeds from current investments for an amount of EUR 12,543,070. The cash flow from financing activities was negative by an amount of EUR 110,400,872. This was the result of the impact of exchange results on financing items amounting to EUR 3,519,423, the repayment of leaseings amounting to EUR 1,841,449 and the 2021 final and 2022 interim dividend payment amounting to EUR 105,040,000.

8.8 STATEMENT OF THE BOARD OF DIRECTORS

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

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

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

The consolidated statements were approved and authorized for issue by the Board of Directors on 28 March 2023 and were signed on its behalf by Marc Biron.

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

8.9 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8.9.1 General

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

The accounting year covers the period from 1 January 2022 to 31 December 2022.

The Melexis Group of companies employed on average (FTE) 1,709 people in 2022 and 1,482 in 2021.

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 27 January 2023.

8.9.2 Statement of compliance

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”) and in conformity with IFRS as adopted by the European Union until 31 December 2022 (collectively “IFRS”). Melexis did not apply any new IFRS requirements not yet effective in 2022.

8.9.3 Summary of significant accounting policies

The consolidated financial statements of Melexis NV were prepared according to IFRS as accepted by the EU on 1 January 2022. 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.

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.E), useful lives of property, plant and equipment and intangible assets (Note 8.9.5.H and 8.9.5.I).

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

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

The fair value of the inflation swaps is determined by discounting expected future cash flows. These expected cash flows depend on estimates of the level of inflation during the remainder of the contracts. These inflation expectations can be found on financial information providers such as Bloomberg or Refinitiv. The financial institutions that act as counterparty for these contracts are responsible for these calculations. Melexis takes over this fair value without any adjustments.

Presentation currency

The euro has been designated as the presentation currency of the Group as Melexis uses the principle of single billing, single sourcing through the Belgian entity Melexis Technologies NV. To consolidate the company and each of its subsidiaries, the financial statements of foreign consolidated subsidiaries, with a non-EUR currency, are translated at year-end exchange rates with respect to the statement of financial position and at the average exchange rate for the year with respect to the income statement. All resulting translation differences are included in a translation reserve in equity.

Foreign currency transactions

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

Foreign currency translation

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

Melexis Inc.	USD
Melexis GmbH	EUR
Melexis Bulgaria EOOD	BGN
Melexis Ukraine	UAH
Melexis Technologies SA	CHF
Melexis NV/BO France	EUR
Sentron AG (liquidated in October 2022)	CHF
Melefin NV	EUR
Melexis Technologies NV	EUR
Melexis NV/BO Philippines	PHP
K.K. Melexis Japan Technical Research Center	JPY
Melexis Electronic Technology (Shanghai) Co., Ltd	CNY
Melexis (Malaysia) Sdn. Bhd.	MYR
Melexis Technologies NV/BO Malaysia	MYR
Melexis Dresden GmbH	EUR
Melexis France SAS	EUR
Melexis Korea Yuhan Hoesa	KRW

Assets and liabilities of Melexis Inc., Melexis Ukraine, Melexis Bulgaria EOOD, Sentron AG (liquidated in October 2022), Melexis Technologies SA, K.K. Melexis Japan Technical Research Center, Melexis NV/BO Philippines, Melexis Electronic Technology (Shanghai) Co. Ltd, Melexis Technologies NV/BO Malaysia, Melexis (Malaysia) Sdn. Bhd. and Melexis Korea Yuhan Hoesa are translated at closing rate, and revenues and expenses are translated at the average exchange rate during the period. Equity components have been translated at historical exchange rates. Gains or losses resulting from this translation are reflected in the component 'cumulative translation adjustment' in the statement of financial position.

Principles of consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is re-assessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de facto control exists, the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Inter-company transactions and balances between group companies are therefore eliminated in full.

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

The consolidation scope includes on the one hand Melexis NV and its two branch offices being Melexis NV/BO Philippines, and Melexis NV/BO France. On the other hand, the subsidiaries being part of the consolidation scope are Melexis Ukraine, Melexis Inc., Melexis GmbH, Melexis Bulgaria EOOD, Sentron AG (liquidated in October 2022), Melefin NV, Melexis Technologies NV, Melexis Technologies SA, K.K. Melexis Japan Technical Research Center, Melexis Electronic Technology (Shanghai) Co. Ltd, Melexis (Malaysia) Sdn. Bhd., Melexis Technologies NV/BO Malaysia, Melexis Dresden GmbH, Melexis France SAS and Melexis Korea Yuhan Hoesa.

Cash and cash equivalents

Cash includes cash on hand and cash in different bank accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value. Term deposits with a maturity period of more than three months that can be redeemed, subject to the interest income being forfeited, might be classified as

cash equivalents if the deposit is held to meet short-term cash needs and there is no significant risk of a change in value as a result of an early withdrawal.

Hedging

There were no outstanding derivatives as per 31 December 2022 for which Melexis has elected to apply hedge accounting by designating the derivative as a hedging instrument in an eligible relationship.

Inventories

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

Property, plant and equipment

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

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

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

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

- The estimated costs of dismantling and removing the item and restoring the site on which it is located, unless those costs relate to inventories produced during that period.

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

Depreciation starts when the asset is ready for use.

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

Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

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

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

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

(b) Recognition and derecognition

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

(c) Measurement

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

carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

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

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

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

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

(d) Impairment

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

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

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.

Non-current assets held for sale

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

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

- A sale is expected to complete within twelve months from the date of classification.

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

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

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

Intangible assets

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

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

Business combinations

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

Goodwill

The excess of the cost of an acquisition over the company's interest in the fair value of the net identifiable assets and liabilities acquired as at the date of the exchange transaction is recorded as goodwill and recognized as an asset in the statement of financial position. When the excess is negative, a bargain purchase

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

Research and development costs

According to IAS 38 Par. 57 development costs are capitalized, only if among others the technical and economic feasibility can be proven, the future economic benefits are probable and costs can be reliably measured. Management has reviewed the development expenses based on the IFRS criteria and is of the opinion that the development expenses should be expensed as the existence of an actual market for the output of Melexis' development efforts can only be demonstrated in a late stage of the project cycle.

Equity

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

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.

Treasury shares

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

Provisions

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

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

Warranty claims

Even though Melexis has installed elaborate test procedures before commencing delivery of its products, product defects might still arise upon the installation or the end consumer's use of the product. If such product defects materialize, expensive and time-consuming product modifications might ensue, and further liability claims might arise. As a change in business conditions led to an increased importance of the warranty risk, Melexis set up a warranty provision in 2022 which is based on a reliable estimate of historical data.

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.

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.

Leasing

IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group leases various properties and cars.

Rental contracts are typically made for fixed periods of one to nine years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2022 was between 0.8% and 4.65%.

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Right-of-use assets are measured at cost comprising the following:

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

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less. Melexis recognizes the interest expenses of lease liabilities in the interest paid component in the cash-flow statement. Melexis opted not to distinguish between lease and non-lease components and accounted for the full amount of the lease liability.

Revenue recognition

Melexis has one major revenue stream. The Group designs, develops and delivers semiconductors. Sales are recognized when control over the product has transferred, being when the products are shipped to or delivered at the customer. In case customers make a payment before the transfer of control is met, a contract liability is recognized as prescribed in the IFRS 15 standard.

The Group is involved in several consignment arrangements. Revenue is not recognized upon delivery of a product if the product is held on consignment, but when the control is transferred to the customer. This transfer of control is based on the customers's usage reporting.

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

Variable consideration: some of the contracts contain commercial discounts and rebates. These incentives are included in the transaction price. A liability is set up for the most likely amount of variable consideration that is to

be paid by Melexis in the future. This liability is recognized when the revenue and the corresponding accounts receivable position is recognized.

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.

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.

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.

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 (refer to note 8.9.5.AH).

Segments

Melexis uses the management approach for determining its segment information (paragraph 7 of IFRS 8). As of 2014, Melexis has only one operating segment: the development and sale of integrated circuits. As a result, regular financial reporting towards the CODM (Chief Operating Decision Maker, at Melexis this is CEO + CFO) is done in one segment and the full R&D resource allocation is done on project level by one corporate team.

Melexis' products and production processes have evolved in such a way that the distinction between automotive and non-automotive segments is no longer relevant. Operating decisions are taken during a committee lead by the CEO, based on performance assessments. Financial information on geographical segments is presented in Note 8.9.5.Z.

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.

Adoption of new and revised standards

The consolidated financial statements of Melexis NV are prepared according to IFRS as accepted by the EU on 1 January 2022.

During the current financial year, the Group has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, that are relevant to its operations and effective for the accounting year starting on 1 January 2022. The Group has not applied any new IFRS requirements that are not yet effective as per 31 December 2022.

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2022 and have been endorsed by the European Union:

1. Amendment to IFRS 16 Leases COVID-19-Related Rent Concessions beyond 30 June 2021 (effective 01/04/2021), with early application permitted). The amendments extend, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. In particular, the amendment permits a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021). The amendment is effective for annual reporting periods beginning on or after 1 April 2021 (earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued).

The following new standard and amendments have been issued, are not mandatory for the first time for the financial year beginning 1 January 2022 but have been endorsed by the European Union:

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

2. Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective 1 January 2023). The amendment to IAS 8 clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted (subject to any local endorsement process).

3. Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023). The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The main change in the amendments is an exemption from the initial recognition exemption of IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.

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

therefore improve the usefulness of comparative information for users of financial statements.

The following amendments have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2022 and have not been endorsed by the European Union:

1. Amendments to IAS 1 'Presentation of Financial Statements: Classification of Liabilities as current or non-current' (effective 01/01/2024), affect only the presentation of liabilities in the statement of financial position – not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:

- Clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;

- Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, and

- Make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services, and

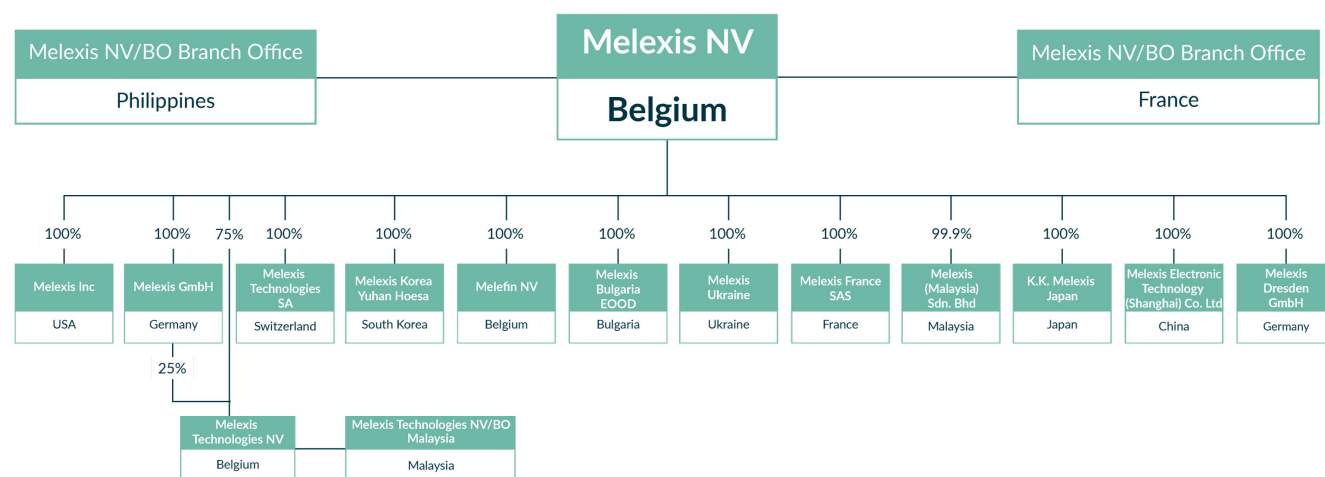
- Clarify how conditions with which an entity must comply within 12 months after the reporting period, such as covenants, affect the corresponding liability's classification.

2. Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective 1 January 2024). The amendments explain how an entity accounts for a sale and leaseback after the date of the transaction, specifically where some or all the lease payments are variable lease payments that do not depend on an index or rate. They state that, in subsequently measuring the lease liability, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognizing any amount of the gain or loss that relates to the right of use it retains. Any gains and losses relating to the full or partial termination of a lease continue to be recognized when they occur as these relate to the right of use terminated and not the right of use retained.

At any time, management aims at providing a fair representation of the financial statements to its stakeholders according to IFRS legislation. In case of changes in IFRS legislation that materially impact, but are not yet adopted by Melexis, management ensures timely disclosure of the impact on Melexis' financial statements. There is no impact expected.

The Group elected not to adopt early the new Standards, Interpretations and Amendments, which have been issued but are not yet effective as per 31 December 2022.

8.9.4 Overview of Group structure



Please refer to chapter 9.1 for the shareholder structure.

8.9.5 Notes

A. CASH AND CASH EQUIVALENTS

in EUR

31 December	2022	2021
Cash at bank and in hand	85,080,008	34,950,394
Total	85,080,008	34,950,394

The increase in cash and cash equivalents is mainly due to an increase of net income in 2022.

As of 31 December 2022, Melexis had EUR 45,000,000 in term deposits between 1 and 6 months that were recognized as cash and cash equivalents.

B. CURRENT INVESTMENTS, DERIVATIVES

in EUR

31 December	2022	2021
Current investments, derivatives	12,500,754	10,356,160

The amount of current investments recognized by Melexis as per 31 December 2022 fully relates to derivative financial assets which are all measured for at fair value. Changes in the fair value of these derivatives are recognized in profit or loss by Melexis. More information on the actual gains and losses recognized in the profit and loss statement of Melexis can be found in Note 8.9.5.T.

There were no outstanding derivatives as per 31 December 2022 for which Melexis has elected to apply hedge accounting by designating the derivative as a hedging instrument in an eligible relationship.

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

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

C. TRADE RECEIVABLES

Trade receivables are measured at fair value and are subsequently measured at amortized cost, less allowance for credit losses. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs.

in EUR

31 December	2022	2021
Trade accounts receivable	107,608,885	80,297,319
Allowance for doubtful accounts	(61,378)	(68,151)
Total	107,547,507	80,229,168

As of 31 December 2022, trade receivables of EUR 14,183,890 were past due.

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

in EUR

31 December	2022	2021
Not due	93,363,617	73,394,734
<30 days	12,179,383	5,794,097
>30 <60 days	872,911	209,953
>60 days	1,131,596	830,384
Total	107,547,507	80,229,168

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

in EUR

31 December				
	Allowance for doubtful accounts	No allowance for doubtful accounts	Total receivables 2022	Total receivables 2021
Not due	—	93,363,617	93,363,617	73,394,734
<30 days	—	12,179,383	12,179,383	5,794,097
>30 <60 days	—	872,911	872,911	209,953
>60 days	61,378	1,070,219	1,131,597	830,384
Total	61,378	107,486,129	107,547,507	80,229,168

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

Melexis uses an early warning system to detect potential bad debtors. In this system, the most recent available financial information of the customer (with focus on credit ratios) is combined with an analysis of their (future) order and payment behavior. The analysis is done on a weekly basis and thoroughly investigated by the credit control team. No additional impairment or credit losses needed to be taken in 2022.

D. RELATED PARTIES

1. Shareholder structure and identification of major related parties

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

Melexis Inc.	US entity
Melexis GmbH	German entity
Melexis Bulgaria EOOD	Bulgarian entity
Melexis Ukraine	Ukrainian entity
Melexis Technologies SA	Swiss entity
Melexis NV/BO France	French branch
Sentron AG (liquidated in October 2022)	Swiss entity
Melefin NV	Belgian entity
Melexis Technologies NV	Belgian entity
Melexis NV/BO Philippines	Philippine branch
K.K. Melexis Japan Technical Research Center	Japanese entity
Melexis Electronic Technology (Shanghai) Co., Ltd	Chinese entity
Melexis (Malaysia) Sdn. Bhd.	Malaysian entity
Melexis Technologies NV/BO Malaysia	Malaysian branch
Melexis Dresden GmbH	German entity
Melexis France SAS	French entity
Melexis Korea Yuhan Hoesa	South Korean entity

- Xtrion NV owns 50% + 1 share of the outstanding Melexis shares. The shares of Xtrion NV are controlled directly and/or indirectly by Mr. Roland Duchâtelet, Mr. Rudi De Winter and Ms. Françoise Chombar. Mr. Duchâtelet and Ms. Chombar are directors at Melexis NV.
- Xtrion NV owns 48.4% of the outstanding shares of X-FAB Silicon Foundries SE, producer of wafers, which are the main raw materials for the Melexis products. X-FAB Silicon Foundries SE sells the majority of its products also to third parties. X-FAB Silicon Foundries SE is listed on Euronext Paris since 2017.
- Melexis, as in prior years, purchases part of its test equipment from the Xpeqt Group. Xpeqt Group develops, produces and sells test systems for the semiconductor industry. Xpeqt Group is owned by Xtrion NV for 99.99%. One share is held by Ms. Françoise Chombar and one share is held by Mr. Roland Duchâtelet.
- Xtrion NV owns 86.2% (rounded) of the outstanding shares of X-CelePrint Ltd.
- Xtrion NV owns 24% of the outstanding shares of Anvo- Systems Dresden GmbH.
- Mr. Roland Duchâtelet is a member of Elex NV's key management personnel.
- Elex NV owns 99.9% of the outstanding shares of Fremach International NV.
- Fremach International NV has significant influence over WorkNomads AD.

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

2. Outstanding balances at year end

As of 31 December 2022 and 2021, the following balances were outstanding:

Receivables

in EUR

31 December		2022	2021
From	Elex NV	6,183	2,033
	Xtrion NV	4,840	4,840
	X-FAB Group	1,263,742	5,164,721
	Xpeqt Group	11,116	8,007
	Total	1,285,880	5,179,602

Payables

in EUR

31 December		2022	2021
To	Elex NV	8,104	137,033
	Xtrion NV	37,959	112,430
	X-FAB Group	24,767,617	18,564,840
	Xpeqt Group	1,366,833	972,585
	Anvo-Systems Dresden GmbH	–	(1,340)
	Worknomads EAD	14,803	–
	Total	26,195,316	19,785,548

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

in EUR

31 December		2022	2021
From	X-FAB Group	2,323,381	3,097,501
	Total	2,323,381	3,097,501

The long-term (and short-term) receivable from the X-FAB group is related to a pre-financing agreement for specialized equipment purchased and owned by X-FAB to guarantee the production capacity towards Melexis.

3. Transactions during the year

Sales/purchases of goods and equipment

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

in EUR

31 December		2022	2021
Sales to			
	Fremach Group (mainly integrated circuits or ICs)	18,129	24,375
	Xpeqt Group	2,080	1,040
	X-FAB Group	9,723	10,531
31 December		2022	2021
Purchases from			
	X-FAB Group (mainly wafers)	276,217,084	211,306,745
	Xpeqt Group (mainly equipment and goods)	9,790,597	5,164,048
	Xtrion NV (mainly IT infrastructure)	140,976	828,240

Sales/purchases of services

31 December	2022	2021
Sales to		
Elex NV (infrastructure office building)	21,112	20,160
Xpeqt Group (infrastructure office building)	108,175	99,299
Xtrion NV (infrastructure office building)	48,000	91,445
X-FAB Group (mainly test and assembly services)	544,272	526,708
Anvo-Systems Dresden GmbH	–	95,951
31 December	2022	2021
Purchases from		
Xtrion NV (mainly IT, R&D services and related support)	2,352,507	2,790,114
Elex NV (support services)	73,354	1,130,711
Xpeqt Group (maintenance and repair services)	1,491,930	2,651,307
X-FAB Group (mainly test and design services)	3,940,626	6,172,673
X-CelePrint Ltd	–	12,000
Worknomads EAD (R&D Services)	104,480	–

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

4. Remuneration of key management

in EUR

Remuneration	Short-term benefits	Long-term bonus	Pension Contributions	Total Remuneration
Key management	3,442,404	325,908	86,690	3,885,002

For more details on remuneration, we refer to chapter 7.6.

E. INCOME TAXES

The income tax expenses can be broken down as follows:

in EUR

31 December	2022	2021
Current tax expenses	40,572,119	20,135,622
Deferred tax expenses	654,238	3,056,469
Total	41,226,357	23,192,091

Income tax expenses increased compared to last year due to an increase in taxable result.

Intra-group transactions resulted in intangible assets in the Melexis Technologies SA and Melexis Bulgaria EOOD statutory (standalone) financial statements. These assets, although eliminated in consolidated figures, result in tax deductible amortization charges in the hands of these companies. Deferred tax effects linked to these transactions could amount to approximately EUR 2.3 million at year end 2022.

As from financial year 2016, the Board of Directors deemed it expedient to start capitalizing research and development efforts in Melexis Technologies NV's standalone/tax financial statements. Such approach is found to be a best practice approach from a Belgian accounting and tax perspective. Deferred tax effects linked thereto amount to approximately EUR 23.9 million at year end 2022.

Added to deferred tax effects linked to available tax offsets carried forward in the hands of Melexis NV and Melexis Technologies NV and deferred tax effects resulting from various temporary differences, the maximum amount of deferred tax assets to be recognized amounts to EUR 28.3 million at year end 2022.

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 2022 are based on management's best estimate covering expected business performance in the foreseeable future. In its assessment the Board of Directors typically adheres to a 3-year horizon. Taking into account these considerations, the Board of Directors decided to recognize as per 31 December 2022 a cumulative deferred tax asset of EUR 27,832,233. Accordingly, the unrecognized deferred tax asset amounts to approximately EUR 0.5 million at year end 2022.

Furthermore, a deferred tax liability of EUR 3,259,743 was recognized at year end 2022 mainly linked to fair value adjustments related to financial instruments.

Consolidated figures show a current tax receivable amounting to EUR 1,593,576 and a current tax liability amounting to EUR 1,283,753. The most important component of the current tax receivable is the overpayment of Belgian taxes for financial years 2021 and 2022, amounting to EUR 1.2 million.

Components of deferred tax assets are as follows:

in EUR

	1 Jan 2022	Charged to income statement	Charged to equity	31 Dec 2022
Tax amortization charges	26,188,000	(145,000)	—	26,043,000
Fair value adjustments to financial instruments	(2,589,040)	2,589,040	—	—
Tax losses carried forward	935,000	9,000	—	944,000
Miscellaneous	696,592	148,641	—	845,233
Total	25,230,552	2,601,681	—	27,832,233

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

Deferred tax assets expected to be recovered within 12 months amount to EUR 14.5 million. Deferred tax assets expected to be recovered after more than 12 months amount to EUR 13.3 million.

Components of deferred tax liabilities are as follows:

in EUR

	1 Jan 2022	Charged to income statement	Charged to equity	31 Dec 2022
Fair value adjustments to financial instruments	—	(3,125,188)	—	(3,125,188)
Miscellaneous	(3,824)	(130,731)	—	(134,555)
Total	(3,824)	(3,255,919)	—	(3,259,743)

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

in EUR

31 December	2022	2021
Income before taxes	238,379,021	154,300,306
Expected taxes at domestic rate	59,594,755	38,575,077
Effective taxes	41,226,357	23,192,091
Difference to be explained	(18,368,399)	(15,382,986)
Explanation of the difference		
Difference in foreign tax percentages and other tax regimes	(6,792,015)	(2,875,692)
Tax effect of non-deductible items	730,927	385,625
Tax effect of non-taxable income	(205,626)	(61,791)
Tax effect of patent/innovation income deduction	(8,184,549)	(8,393,736)
Tax effect of investment deduction	(3,648,334)	(3,843,307)
Tax losses carried forward	(199,501)	(479,572)
Current tax adjustments relating to prior years	(234,386)	146,210
Miscellaneous	402,246	442,663
Change of recognition of deferred tax assets (decrease + / increase -)	(237,160)	(703,385)
Total	(18,368,399)	(15,382,986)
Difference	0	0

F. INVENTORIES

Inventory is written off when no sales are expected or when the goods contain defects. In 2022, EUR 5,220,187 of additional inventory was written off. EUR 4,582,465 of the inventory written off during the previous year was reversed as the business conditions to write off these inventory items became redundant or the estimated sales value increased due to a change in business conditions. Work in progress consists of material that is being worked on in probing, assembly and final test.

in EUR

31 December	2022	2021
Raw materials and supplies, at cost	22,983,733	14,954,778
Work in progress, at cost	139,544,862	117,783,017
Finished goods, at cost	23,614,600	17,609,166
Reserve for obsolete stock	(6,494,403)	(5,856,680)
Net	179,648,793	144,490,280

The increase in inventory balance is mainly linked to a price increase effect and the EUR/USD exchange rate.

G. OTHER CURRENT ASSETS

in EUR

31 December	2022	2021
Other receivables	14,405,988	7,713,241
Prepaid expenses	5,672,645	2,966,771
Total	20,078,633	10,680,012

The other receivables mainly relate to VAT.

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

The increase in other current assets from EUR 10,680,012 per end December 2021 to EUR 20,078,633 per end December 2022 is mainly coming from increased VAT receivables.

H. PROPERTY, PLANT AND EQUIPMENT

in EUR

31 December	Land and building	Machinery and equipment	Furniture and vehicles	Fixed assets under construction	Total 2022	Total 2021
Cost						
Beginning of the period	72,297,306	341,105,696	23,954,202	11,100,826	448,458,030	427,160,278
Additions of the period	581,648	9,593,427	3,606,113	25,558,520	39,339,708	30,299,511
Retirements (-)	(212,296)	(14,793,694)	(1,830,799)	(1,242,518)	(18,079,307)	(11,597,424)
Transfers	857,228	21,083,368	1,008,111	(23,393,097)	(444,390)	–
CTA	341,180	2,041,315	86,413	(1,002)	2,467,907	2,595,666
End of the period	73,865,066	359,030,112	26,824,040	12,022,728	471,741,947	448,458,030
Accumulated depreciation						
Beginning of the period	25,011,119	273,984,876	17,441,941	–	316,437,936	297,211,171
Additions of the period	2,812,439	29,877,918	3,259,451	–	35,949,808	27,722,826
Retirements (-)	–	(14,792,890)	(1,813,814)	–	(16,606,704)	(10,498,827)
CTA	42,153	786,486	53,618	–	882,257	2,002,767
End of the period	27,865,711	289,856,390	18,941,197	–	336,663,297	316,437,937
NET BOOK VALUE	45,999,355	69,173,722	7,882,844	12,022,728	135,078,652	132,020,093

Additions of the year mainly relate to test equipment and infrastructure under construction.

Retirements: no material amount of compensation from third parties has been included in the consolidated statement of comprehensive income.

Fixed assets under construction: this mainly relates to the construction in progress of test equipment and infrastructure. Retirements are mainly linked to items with zero net book value which are not in use anymore by the company.

There are currently no restrictions in title for any of our property, plant and equipment (PPE) assets nor are they pledged as security for liabilities. The purchase commitments related to PPE assets are disclosed in note 8.9.5.AD.

I. INTANGIBLE ASSETS

in EUR

31 December	Licenses	IP	Total 2022	Total 2021
Acquisition value				
Balance end of previous period	23,425,804	1,264,810	24,690,614	23,134,586
Additions of the period	543,925	—	543,925	1,498,803
Retirements (-)	(814,554)	—	(814,554)	(61,351)
CTA	125,505	—	125,505	118,576
Total	23,280,680	1,264,810	24,545,490	24,690,614
Depreciation				
Balance end of previous period	19,091,193	1,264,810	20,356,003	18,484,545
Additions of the period	1,829,128	—	1,829,128	1,823,955
Retirements (-)	(814,554)	—	(814,554)	(61,351)
Transfers	—	—	—	—
CTA	125,454	—	125,454	108,855
Total	20,231,221	1,264,810	21,496,031	20,356,003
NET BOOK VALUE	3,049,458	—	3,049,458	4,334,611

Licenses are amortized over a period of 5 years. IP is amortized over 10 years. All intangible assets have finite useful lives. The yearly amortization expenses are included in the statement of comprehensive income mainly as cost of sales (note 8.9.5.P) and research and development expenses (note 8.9.5.Q).

J. LEASED ASSETS AND LIABILITIES

This note provides information for leased assets where Melexis is a lessee. The balance sheet shows the following amounts related to leased assets:

in EUR

31 December	Land and building	Furniture and vehicles	Total 2022	Total 2021
Leased assets				
Beginning of the period	7,415,435	629,756	8,045,191	6,328,356
Additions of the year	2,351,500	104,355	2,455,855	3,688,886
Retirements	(2,764,080)	(56,661)	(2,820,740)	(2,142,785)
Transfers	–	–	–	8,278
CTA	17,153	–	17,153	162,455
End of the period	7,020,008	677,450	7,697,458	8,045,191
Accumulated depreciation				
Beginning of the period	3,195,581	257,167	3,452,748	3,597,217
Additions of the period	1,806,644	156,124	1,962,768	1,713,503
Retirements	(1,934,247)	(56,271)	(1,990,519)	(1,984,422)
Transfers	–	–	–	1,442
CTA	104,091	–	104,091	125,008
End of the period	3,172,069	357,020	3,529,089	3,452,748
NET BOOK VALUE	3,847,939	320,430	4,168,369	4,592,443

Additions and retirements mainly relate to building rental contract modifications.

The balance sheet shows the following amounts related to lease liabilities:

in EUR

31 December	Current liabilities	Non-current liabilities	Total
Beginning of the period	1,718,141	2,908,663	4,626,804
End of the period	1,709,951	2,538,904	4,248,855

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

in EUR

31 December	Land and building	Furniture and vehicles	Total
< 1 year	914,793	795,158	1,709,951
> 1 year < 3 years	2,372,823	166,081	2,538,904
TOTAL	3,287,616	961,239	4,248,855

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

in EUR

Depreciation charges leased buildings	1,742,428
Depreciation charges leased vehicles	100,522
Interest expense (included in finance cost)	96,571
Expenses related to short-term leases or low-value assets (included in admin expenses)	790,149

K. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Trade payables are non-interest bearing and are normally settled on 30-day terms.

Other current liabilities comprise the following:

in EUR

31 December	2022	2021
Accrued real estate withholding tax	102,000	362,000
Accrued financial services	816,075	346,076
Accrued design services	1,321,656	1,368,772
Accrued management services	485,482	193,913
Accrued HR services	380,077	659,967
Accrued transport services	70,000	—
Accrued insurances	158,136	439,633
Accrued IT services	155,229	20,041
Accrued licenses and royalties	139,000	6,000
Accrued other employee costs	131,000	199,000
Accrued utilities	91,715	—
Other	1,255,243	406,656
Total	5,105,614	4,002,058

L. SHORT-TERM EMPLOYEE BENEFITS ACCRUALS

in EUR

31 December	2022	2021
Holiday pay and year-end bonus	17,910,522	14,896,706
Other social accruals	920,829	950,028
Remuneration	1,123,534	830,439
Social security	431,822	297,206
Direct and indirect taxes	717,119	836,525
Total	21,103,825	17,810,905

The increase in bonus accrual is directly linked to an increase in the operational result of Melexis: 50% of the bonus accrual is based on the global business performance measured through the achievement of the target revenue growth and target EBIT growth of Melexis over the performance year.

M. DEFERRED INCOME

in EUR

31 December	2022	2021
Capital grants	236,031	278,474
Deferred income	3,716,519	2,158,985
Total	3,952,550	2,437,459

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

The deferred income relates to shipments that were not delivered at the customer before year end. As this performance obligation was not met, revenue was not recognized at year end but will be recognized when the shipment will be delivered to the customer. The performance obligation was met shortly after year end and revenue was recognized in January of the next year. A contract liability is recognized in case a payment for a customer is due before a related performance obligation is satisfied.

N. OTHER NON-CURRENT LIABILITIES

As a change in business conditions led to an increased importance of the warranty risk (in accordance with the legal Melexis terms of sales), Melexis set up a warranty provision for an amount of EUR 4,272,000 which is based on a reliable estimate of historical data. The estimation covers Melexis' experience of past claim rates and knowledge of current claims together with an assessment of rectification costs. The estimated period of usage of the underlying expenses is set at 1-2 years.

O. PRODUCT SALES

The product sales are as follows:

in EUR

31 December	2022	2021
Product sales	836,157,480	643,786,021
Total	836,157,480	643,786,021

For the revenue from product sales, please refer to the operating segments section in Note 8.9.5.Z.

P. COST OF SALES

Cost of sales includes the following expenses:

in EUR

31 December	2022	2021
Purchases	345,092,463	278,690,472
Transportation costs	7,820,750	5,797,806
Salaries	43,164,699	36,377,591
Depreciation and amortization ¹⁰	31,414,529	31,657,625
Maintenance	13,193,874	8,297,365
Utilities	8,908,245	5,303,087
Other direct production costs	11,884,418	4,061,549
Total	461,478,979	370,185,495

Cost of sales increased in 2022 due to an increase in sales. The higher cost of sales can mainly be attributed to higher purchases.

¹⁰ Includes accruals for write-offs on inventory for the amount of EUR 5,220,187 and reversal of accruals for write-offs in previous year for EUR 4,582,465. Inventory write-offs were reversed as the business conditions to write off these inventory items became redundant or the estimated sales value increased due to a change in business conditions. Consequently, the net impact on the consolidated income statement of 2022 is EUR 637,722.

Q. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses include the following expenses:

in EUR

31 December	2022	2021
Salaries	55,421,792	48,758,047
Depreciation and amortization	7,773,150	8,025,468
External services	12,562,108	9,410,664
Fees	6,149,791	5,224,622
Prototype wafers	1,241,803	1,071,796
Rent and maintenance	887,823	576,549
Subsidies	(1,085,633)	(779,558)
Travel	1,343,796	344,958
Engineering purchases	5,916,764	5,755,412
Total	90,211,394	78,387,958

R. GENERAL AND ADMINISTRATIVE EXPENSES

General and administration expenses include the following expenses:

in EUR

31 December	2022	2021
Salaries	12,590,018	10,337,980
Depreciation and amortization	5,380,841	4,541,871
External services	7,632,043	4,688,071
Fees	3,845,311	2,826,743
Maintenance	3,188,744	2,594,503
Insurances	1,813,878	1,689,651
Utilities	3,137,131	2,657,408
Travel	521,888	175,366
Other	2,777,646	2,541,254
Total	40,887,499	32,052,847

S. SELLING EXPENSES

Selling expenses include the following expenses:

in EUR

31 December	2022	2021
Salaries	11,546,811	10,204,912
Depreciation and amortization	598,072	566,827
Commissions	1,596,634	1,378,082
External services	1,288,712	1,333,611
Travel	754,081	308,362
Other	1,267,231	919,517
Total	17,051,541	14,711,311

T. NET FINANCIAL RESULT

in EUR

31 December	2022	2021
Financial income	23,526,001	13,199,634
Interest income	50,121	5,331
Exchange differences	8,603,714	2,898,036
Result on financial instruments excluding fair value adjustments	12,646,535	90,445
Fair value adjustment inflation swaps	2,225,512	10,205,720
Other	120	102
Financial charges	(11,675,047)	(7,347,737)
Interest charges	(506,382)	(530,277)
Bank charges	(208,419)	(297,676)
Exchange differences	(10,879,329)	(6,425,253)
Fair value adjustment FX swaps	(80,918)	(94,531)
Net financial result	11,850,954	5,851,897

U. GOVERNMENT GRANTS

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

in EUR

31 December	2022	2021
Grants for research and development	1,085,633	779,558
Investment grants in building, machinery and employment grants	211,646	158,610
Total	1,297,280	938,168

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.Q.

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.P.

V. DEPRECIATION AND AMORTIZATION EXPENSES

Depreciation and amortization include the following expenses:

in EUR

31 December	2022	2021
Cost of sales	31,414,529	31,657,625
Research and development	7,773,150	8,025,468
General and administration	5,380,841	4,541,871
Selling	598,072	566,827
Total	45,166,592	44,791,791

W. PERSONNEL EXPENSES AND AVERAGE NUMBER OF EMPLOYEES

in EUR

31 December	2022	2021
Wages and salaries	122,723,321	105,678,530
Total	122,723,321	105,678,530

The average number of employees (FTE) was 1,709 in 2022 and 1,482 in 2021. For more details on the compensation of key management, see chapter 7.

X. LONG AND SHORT-TERM DEBT

As per 31 December 2022, Melexis does not have any long or short-term debt. The Group has unused committed credit lines for a total of EUR 111 million.

Y. SHAREHOLDERS' EQUITY AND RIGHTS ATTACHED TO THE SHARES

Shareholder's capital

As of 31 December 2022, the common stock consisted of 40,400,000 issued and outstanding ordinary shares without face value, unchanged from last year.

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

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

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

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

Reserves

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

Revaluation reserve hedge: changes in the fair value of the hedging instrument, for which hedge accounting is applied as defined under IFRS 9, are recognized in a hedging reserve. For more details about the fair value of the hedging instruments through equity, please refer to note 8.9.5.AA.

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.AA.

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.

Z. OPERATING SEGMENTS

Business segments

Melexis' products and production processes that are regularly evaluated have only one operating segment. Please refer to section 8.9.3 Segments for more details.

Information about transactions with major customers

The following table summarizes sales per customer for the 10 most important customers. It consists of the sales to end customers and not to subcontractors or distributors. All of these customers were included in the analysis of credit risk performed according to the credit loss model of IFRS 9. The output of this analysis did not result in material amounts to be accounted for.

in %

31 December	2022	2021
Customer A	13	14
Customer B	6	6
Customer C	5	6
Customer D	5	5
Customer E	3	4
Customer F	2	2
Customer G	2	2
Customer H	2	2
Customer I	2	2
Customer J	2	2
Total	41	45

Information about geographical areas

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

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

in EUR

31 December	2022	2021
Europe, Middle East and Africa (EMEA)	252,676,399	218,612,188
Germany	102,565,487	87,366,434
France	16,739,913	16,707,034
United Kingdom	8,048,374	8,171,188
Poland	10,467,982	13,247,390
Switzerland	22,694,236	19,723,510
Ireland	668,268	643,296
Czech Republic	9,651,007	5,806,874
Austria	11,513,038	11,470,309
The Netherlands	483,714	270,120
Romania	20,658,346	16,868,186
Bulgaria	4,576,839	4,475,567
Spain	2,318,193	2,082,092
Hungary	7,518,392	5,288,011
Italy	11,657,220	9,103,728
Other	23,115,391	17,388,450
North and Latin America (NALA)	91,014,215	68,834,039
United States	59,586,544	43,547,279
Canada	7,902,592	5,639,494
Mexico	23,522,094	19,608,794
Brazil	2,984	38,473
Asia Pacific (APAC)	492,466,866	356,339,794
Japan	63,515,326	45,630,857
China (excluding Hong Kong)	115,821,881	79,064,308
Hong Kong	75,139,925	61,043,570
Thailand	71,534,907	55,662,545
South Korea	63,034,321	36,020,347
Philippines	21,397,494	23,628,359
Taiwan	33,733,777	26,743,507
India	9,297,976	6,686,814
Singapore	37,010,887	20,653,562
Other	1,980,371	1,205,924
Total	836,157,480	643,786,021

AA. DERIVATIVES

Notional amounts

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

31 December		2022	2021
Outstanding FX hedge contracts on 31 December, not exceeding 1 year	USD	50,000,000	50,000,000
Outstanding inflation hedge contracts, exceeding 1 year	EUR	15,000,000	30,000,000

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

Fair value

The fair value of derivatives is based upon mark to market valuations. All derivative financial instruments are measured at fair value derived from level 2 input criteria. For FX swaps, this is calculated using the forward rate of the appropriate currency pair on 31 December.

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

in EUR

31 December	2022	2021
Assets	Fair value	Fair value
Outstanding FX swaps - level 2	69,522	150,440
Outstanding inflation swaps - level 2	12,431,231	10,205,720
Total, classified under Current investments (see also Note 8.9.5.B)	12,500,754	10,356,160

AB. 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 58,244 remuneration in 2022 compared to 51,611 EUR in 2021. The other directors are not remunerated.

AC. EARNINGS PER SHARE

Net earnings per share are calculated by dividing the net result for the period attributable to ordinary shareholders of EUR 197,152,664 in 2022 and EUR 131,108,216 in 2021 by the weighted average number of ordinary shares outstanding during the period (40,400,000 in 2022 and 40,400,000 in 2021).

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 27 January 2023, the Board of Directors decided to propose to the annual shareholders' meeting to pay out over the result of 2022 a total dividend of EUR 3.50 gross per share. This amount contains an interim dividend of EUR 1.30 per share, which was paid in October 2022 as interim dividend, and a final dividend of EUR 2.20 per share which will be payable after approval by the annual shareholders' meeting.

AD. COMMITMENTS & ESTIMATED LIABILITIES

Purchase commitments

As of 31 December 2022, the company had purchase commitments for tangible fixed assets amounting to EUR 15,747,832 mainly related to test equipment for the production sites. As of 31 December 2021, the amount was EUR 8,634,268.

AE. BUSINESS COMBINATIONS

No business combinations in 2022.

AF. LITIGATION

The company is currently not involved in any litigations.

AG. AUDITOR'S SERVICES

On a consolidated basis, the audit fees required by law amounted to EUR 244,612 in 2022, compared to EUR 209,384 in 2021.

AH. RESERVES POST-RETIREMENT BENEFITS

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate. The contributions to defined contribution schemes amounted to EUR 1,043,495 in 2022 compared to EUR 1,100,928 in 2021.

The company's employees in Belgium participate in defined contribution plans, funded through a group insurance. The employer contributions paid to the group insurance are based on a fixed percentage of the salary. By law, employers are required to provide an average minimum guaranteed rate of return over the employee's career, equal to 3.75% on employee contributions and 3.25% on employer contributions for contributions until 2015 and 1.75% on all contributions as from 2016. Since the minimum guaranteed reserves were entirely covered by plan assets by the insurance company, no amounts were recognized in the statement of financial position on 31 December 2022 and 2021.

AI. SUBSEQUENT EVENTS

No subsequent events have taken place that have a significant impact on the financial statement of 2022.

AJ. LIST OF SUBSIDIARIES CONSOLIDATED

Subsidiary	Place of incorporation	Principal activities	Ownership interest
Melexis Inc.	USA	R&D, Sales & Applications	100%
Melexis GmbH	Germany	R&D, Manufacturing, Sales & Applications	100%
Melexis Ukraine	Ukraine	R&D	100%
Melexis Bulgaria EOOD	Bulgaria	R&D, Manufacturing	100%
Sentron AG (liquidated in October 2022)	Switzerland	R&D	100%
Melefin NV	Belgium	Treasury	100%
Melexis Technologies NV	Belgium	R&D, Sales & Applications	100%
Melexis Technologies SA	Switzerland	R&D, Sales & Applications	100%
K.K. Melexis Japan Technical Research Center	Japan	Sales & Applications	100%
Melexis Electronic Technology (Shanghai) Co., Ltd	China (Shanghai)	Sales & Applications	100%
Melexis (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing	99.9%
Melexis Dresden GmbH	Germany	R&D	100%
Melexis France SAS	France	Manufacturing	100%
Melexis Korea Yuhan Hoesa	South Korea	Sales & Applications	100%

AK. RISK FACTORS

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

a. Risks related to the company

Operating history; inability to forecast revenues accurately

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

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

The company's current and future expense levels are based largely on its investment plans and estimates of future revenues. Sales and income from operations generally depend on the volume and timing of, and ability to fulfill, orders received, which are difficult to forecast. The company may be unable to adjust its expenditures in a timely manner to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall in revenues in relation to the company's planned expenditures would have an immediate adverse effect on the company's business, income from operations and

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

Manufacturing

The Group has multiple manufacturing sites around the world. These sites are exposed to risks related to interruptions of our manufacturing processes, such as political upheavals, natural disasters, occupational accidents and pandemics. These could impede the Group's ability to manufacture at these sites on the planned scale or to export products manufactured at those sites, which in turn can impact our financial condition and results of operations. Contingency plans are in place in order to be able to respond adequately to crisis situations.

Dependence on data and IT systems

The Group heavily depends on the reliability and security of its IT systems: networks, infrastructure, operating systems and databases. These systems are subject to attempted security breaches and other cybersecurity threats, a risk that is becoming more important with the rise in the level of threats to data security. If successful, this could adversely impact our business and result in an immediate loss of revenue for the Group. To mitigate these risks, an array of precautionary measures were put in place.

Currency fluctuations

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

Please refer to the foreign currency risk in note 8.9.5.AK for more information about the impact of foreign currencies.

Credit risk on short-term investments

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

Managing growth

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

Risk of potential future acquisitions

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

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

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

The company's performance is substantially dependent on the performance and continued presence of its senior management and other key personnel. The company's performance also depends on the company's ability to retain and motivate its other officers and employees. The loss of the services of any of the company's senior

management or other key employees could have a material adverse effect on the company's business, result of operations and financial condition.

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

Products may contain defects

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

Evolving distribution channels

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

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

Protection and enforcement of intellectual property rights

The semiconductor industry is characterized by frequent claims alleging the infringement of patents and other intellectual property rights. Thus, the company may receive communications or claims from third parties asserting patents or other intellectual property rights on certain technologies or processes used by the company. In the event any third party claim were to be valid, the company could be required to discontinue using certain

processes or technologies or to cease the use and sale of infringing products, to pay damages and to acquire licenses to the allegedly infringed technology or develop non-infringing technologies. The company's business, financial condition and result of operations could be materially and adversely affected by any such development.

The company has already obtained patent protections and expects to file additional patent applications when appropriate to protect certain of its proprietary technologies. The company also protects its proprietary information and know-how through the use of trade secrets, confidentiality agreements and other measures. The process of patent protection can be expensive and time consuming. There can be no assurance that patents will be issued for applications or that, if patents are issued, they will not be challenged, invalidated or circumvented, or that rights granted thereunder will provide meaningful protection or other commercial advantage to the company. Likewise, there can be no assurance that the company will be able to preserve any of its other intellectual property rights in the future.

Claims

Melexis receives, on a regular basis, claims from customers, and might receive claims from competitors as well. These claims are being recognized as a liability in the Consolidated statement of financial position. The company uses all possible resources to limit the risk for the company. More information on the pending claims can be found in note 8.9.5.AF Litigation.

The importance of significant customers

Melexis' biggest customer accounts for 13% of total sales. No other customers have sales over 10% of total sales. For the year ended 31 December 2022, the 10 most important customers accounted for 41% of total sales (see note 8.9.5.Z).

Significant supplier

Melexis sources the majority of its wafers from X-FAB, a related party that is controlled by Melexis' largest shareholder, Xtrion NV (see also Related Parties in Note 8.9.5.D). Conditions of the commercial relations between X-FAB and Melexis are in line with those that would have been agreed upon between independent parties in comparable circumstances. The arm's length character of these conditions are analyzed, determined, and tested in accordance with the principles and best practices in this respect as detailed in the OECD's 2017 Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations. Notwithstanding due care taken in the

Group's transfer pricing analysis, there can be no assurance that the tax authorities or courts will not take a position contrary to the Group's position.

To reduce the risk of dependency on one supplier, Melexis also sources from two other Asian wafer fabs. For packaging services, Melexis sources from several Asian vendors.

Significant shareholders

The main shareholder holds 50% + 1 share of the company's issued and outstanding ordinary shares. As a result, this shareholder, through the exercise of his voting rights, has the ability to significantly influence the company's management and affairs and all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. In addition, some decisions concerning the company's operations or financial structure may present conflicts of interest between the company and this shareholder. For example, if the company is required to raise additional capital from public or private sources to finance its anticipated growth and contemplated capital expenditures, its interests might conflict with those of these shareholders with respect to the particular type of financing sought. In addition, the company may have an interest in pursuing acquisitions, divestitures, financings, or other transactions that, in management's judgment, could be beneficial to the company, even though the transactions might conflict with the interests of this shareholder. Likewise, this shareholder has contractual and other business relationships with the company from time to time. Although it is anticipated that any such transactions and agreements will be on terms no less favorable to the company than it could obtain in contracts with unrelated third parties, conflicts of interest could arise between the company and this shareholder in certain circumstances. For the required information with respect to the potential conflicts of interest, please refer to chapter 8.9.

b. Risks related to the business

The semiconductor market

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

The automotive industry

As a semiconductor company with most of its revenue coming from the automotive industry, Melexis sales are

impacted by, among others, the amount of vehicles produced and sold worldwide.

The demand for vehicles is influenced by the economic and geopolitical situation in different regions. Macroeconomic risks and trade tensions can lead to reduced purchasing power, causing the demand for vehicles to drop.

Other factors that can lead to a reduced demand for vehicles include a shift in consumer purchase behavior, uncertainty amongst consumers on what type of car to buy and new forms of mobility such as car sharing and robotaxis.

Intense competition

The automotive semiconductor market is very different from other segments of the semiconductor market. In particular, technological requirements for automotive semiconductors differ significantly as automotive electronics must withstand extreme conditions, including very hot and cold temperatures, dry and humid weather conditions and an environment subject to dust, oil, salt and vibration. In addition and unlike the situation in other segments of the semiconductor market, the supply voltage to automotive semiconductors originating from a car's battery will vary strongly in practice (between 6.5 and 24 V). As a result, these factors make automotive semiconductor product design and, in particular, testing, difficult when compared with other semiconductor markets.

The company currently competes with a number of other companies. These companies could differ for each type of product. The company's competitors include, among others, Allegro Microsystems, Analog Devices, Microchip Technology, ams-OSRAM, Elmos, Infineon Technologies, TDK (Micronas), NXP, ST Microelectronics, onsemi and Texas Instruments.

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

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

devote greater resources to the promotion and sale of their products than the company.

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

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

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

Rapid technological change

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

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

Purchasing

The vast majority of the company's products are manufactured and assembled by foundries and subcontract manufacturers under a '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. The company may have to incur unexpected costs to expedite orders in order to meet unforecast customer demand. Because of the mismatch between supply and demand in the automotive market, new ways of contracting have been introduced in our industry over the last two years, called long-term agreements or LTAs. The main aim of these new market practices is securing volumes and more predictable pricing.

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

Melexis sources the majority of its wafers from a related party (see also Related Parties in Note 8.9.5.D), but sources from two Asian wafer fabs as well, to reduce the risk of dependency on one supplier. For the packaging services, Melexis sources from several Asian vendors.

Geopolitical environment

Uncertain political landscapes and tensions in global trade could have a significant impact on Melexis' business by causing a reduced free trade of goods and services and,

as a consequence, disruptions in the supply chain. Examples of such situations include increased protectionism, technology wars and rising populism.

c. Risks related to the trading on Euronext

Possible volatility of share price

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

AL. SENSITIVITY ANALYSIS ON FINANCIAL RISK

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

Foreign currency risk

The Group has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency, especially in USD. In 2022, approximately 42% of the Group's sales are denominated in USD and approximately 44% of the Group's costs are denominated in USD.

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

FY 2022	Increase/decrease in EUR/USD rate		Effect on profit or loss before taxes (in EUR)
Reference rate: 1.05 (average FY 2022)			
	+0.05	(1.10)	(3,916,376)
	-0.05	(1.00)	4,307,544

On 31 December 2022, the following financial assets and liabilities were present, shown in USD and CHF:

	31 Dec 2022 (in USD)	31 Dec 2022 (in CHF)
Financial assets	49,307,995	268,670
Cash and cash equivalents	12,544,814	262,748
Trade and other receivables	36,763,181	5,922
Financial liabilities	24,361,287	262,987
Trade and other payables	24,361,287	262,987
Loans and borrowings	—	—

An increase/decrease of the EUR/USD rate of +/- 500 base points (reference rate = 1.07) would have an impact on the balance sheet value of -1,047,331 EUR/ +1,150,354 EUR on 31 December 2022.

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

Interest rate risk

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

On 31 December 2022, the Group had no such long-term debt obligations.

AM. FINANCIAL INSTRUMENTS

Financial risk management

Melexis operates internationally, which could give an exposure to market risks from changes in interest and foreign exchange rates. Melexis can use 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

Credit risk arises from the possibility that customers or other counterparties may not be able to settle obligations to the company within the normal terms of trade. Melexis' credit risk arises primarily from cash and cash equivalents, current investments and accounts receivable. To manage the risk, the company periodically assesses the financial viability of counterparties. Current investments and investments in cash equivalents are entered into with financial institutions with investment grade credit ratings. The Group has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics.

(2) Interest rate risk

On 31 December 2022, the Group does not use derivatives to manage interest rate risks as there was no outstanding bank debt.

Liquidity risk

Liquidity risk arises from the possibility that the Group is unable to meet its financial obligations upon maturity, due to the inability to convert assets into cash without incurring a loss. To prevent this, the Group keeps a significant cash reserve in combination with multiple unused committed credit lines.

(3) Foreign exchange risk

The functional currency of the Group is the euro as Melexis uses the principle of single billing, single sourcing through the Belgian entity Melexis Technologies NV.

The currency risk of the Group occurs due to the fact that the Group operates and has sales in USD. The Group uses derivative contracts to manage foreign exchange risk. The table with outstanding derivatives per 31 December is taken up in note 8.9.5.AA.

(4) Inflation risk

The inflation risk of the Group arises from the possibility that the salaries will increase due to inflation. The Group uses inflation hedge contracts to hedge Belgian salary payments. For more information, please refer to note 8.9.5.AA.

Fair value of financial instruments

The fair value of foreign exchange contracts is determined using forward exchange market rates at the balance sheet date. The fair value of inflation hedge

contracts is determined by discounting future expected cash flows, which are impacted by inflation expectations.

For all of these instruments, the fair values are confirmed to the Group by the financial institutions through which the Group has entered into these contracts.

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

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

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

Management believes that the exposure to interest rate risk of financial assets and liabilities as of 31 December 2022 was minimal since their deviation from their respective fair values was not significant.

AN. CLIMATE CHANGE

The world needs to continue the fight against climate change and seek solutions for both CO₂ and power consumption reduction. The call for green products has never been greater than today, a demand that will only increase in the coming years in all markets and impact mobility and energy consumption. The European Green Deal is striving to make Europe the first climate-neutral continent and will pave the way for a better future. Melexis is especially well positioned to contribute to the electrification trend in the automotive industry that is currently seeing an acceleration on the back of a heightened and justified attention to combating climate change. A decline in demand for Melexis' products, a large part of which support the transition to a lower carbon economy, is unlikely. Therefore, we have not impaired any assets in 2022.

Melexis is continuously looking for ways to reduce emissions and energy by designing sustainable products for our customers who are also increasingly looking to minimize their impact on the environment. To do so, Melexis adheres to the Greenhouse Gas or GHG Protocol and is now measuring its scope 1 and 2 emissions. In consultation with an external consultant, all our sites have now been assessed and their baseline measurements regarding CO₂ emissions have been determined. These initial values provide the starting point for annual comparisons and allow for the establishment of future key performance indicators.

Besides that, Melexis continuously evaluates the possible impact of climate change in its business creation process. For more information on our initiatives with regard to a lower carbon economy, please refer to chapter 6 of this annual report.

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

Another risk related to climate change is the potential need for increased expenditures and investments by players in the semiconductor industry to ensure compliance with new regulations to reduce the CO₂ footprint. The production of wafers for instance is energy and water intensive. Moreover, the environmental footprint of transportation of ICs is high, given the global nature of the semiconductor supply chain. Therefore, regulation in view of climate change could put pressure on the industry and lead to substantial increases in the cost of doing business. In 2022, expenses related to climate change were not material.

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

9

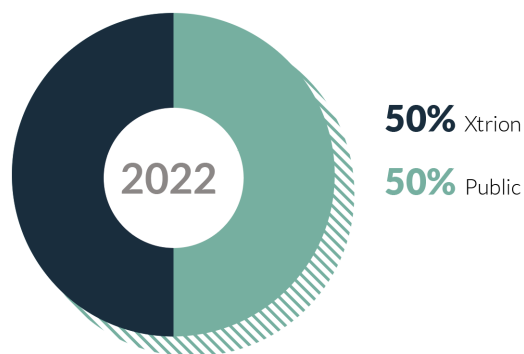
SHAREHOLDER INFORMATION

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

9.1 SHAREHOLDER STRUCTURE

Situation on 31 December 2022

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



9.2 SHARE INFORMATION

- First day of listing 10 October 1997
- Number of shares outstanding on 31 December 2022 40,400,000
- Market capitalization on 31 December 2022 € 3,272,400,000.00

(in EUR)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Earnings per share	4.88	3.25	1.72	1.49	2.86	2.75	2.38	2.45	2.10	1.37	1.25
Net cash from operating activities	4.65	3.52	2.37	2.34	2.47	2.80	2.67	2.85	2.35	1.75	1.41
Gross dividend	3.50	2.60	2.20	1.30	2.20	2.10	2.00	1.90	1.00	0.70	0.65
Year end price	81.00	104.80	79.90	67.05	50.90	84.37	63.65	50.18	37.50	23.18	12.88
Year's high	106.00	109.60	82.30	72.65	92.83	87.37	65.88	59.47	37.54	24.44	13.40
Year's low	64.20	79.70	46.10	47.66	45.62	64.41	40.94	37.70	23.10	13.19	10.60
Average volume of shares traded/day	72,653	81,014	85,165	126,252	107,094	54,966	59,810	73,249	35,665	22,741	22,958

9.3 CONTACT INFO

Investor Relations

investor@melexis.com
Rozendaalstraat 12, B-8900 Ieper, Belgium

www.melexis.com/en/investors

9.4 FINANCIAL CALENDAR 2023

26 April 2023

Announcement of Q1 results

9 May 2023

Annual shareholders' meeting

2 August 2023

Announcement of half-year results

25 October 2023

Announcement of Q3 results

7 February 2024

Announcement of full-year results

9.5 DIVIDEND POLICY

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

Gross (interim) dividend per share out of distributable reserves:

2017	EUR 1.30 interim dividend EUR 0.80 final dividend
2018	EUR 1.30 interim dividend EUR 0.90 final dividend
2019	EUR 1.30 interim dividend
2020	EUR 1.30 interim dividend EUR 0.90 final dividend
2021	EUR 1.30 interim dividend EUR 1.30 final dividend
2022	EUR 1.30 interim dividend EUR 2.20 final dividend (pending approval by the annual shareholders' meeting on 9 May 2023)

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

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

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

For this reason, the Board of Directors deemed it appropriate to publish only an abbreviated version of the non-consolidated balance sheet and income statement prepared in accordance with Belgian GAAP as at and for the year ended 31 December 2022. Participations in affiliated companies are recognized at purchase price.

The statutory auditors' report is unqualified and certifies that the non-consolidated financial statements of Melexis NV prepared in accordance with Belgian GAAP for the year ended 31 December 2022 give a true and fair view of the financial position and results of Melexis NV in accordance with all legal and regulatory dispositions.

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

Condensed non-consolidated statement of financial position

in 1,000 EUR

ASSETS	2022	2021
FIXED ASSETS	1.318.082	1,319,775
II. Intangible assets	86	139
III. Tangible assets	28,092	31,600
A. Land and buildings	12,200	13,035
B. Plant machinery and equipment	11,745	14,359
C. Furniture and vehicles	1,980	1,685
F. Assets under construction and advanced payments	2,168	2,521
IV. Financial assets	1,289,903	1,288,036
A. Affiliated companies	1,289,863	1,287,996
1. Participations	1,289,863	1,287,996
B. Other enterprises linked by participating interests	–	–
1. Participations	–	–
C. Other financial assets	40	40
2. Receivables and caution money	40	40
CURRENT ASSETS	5,750	4,134
V. Amounts receivable after more than one year	41	41
1. Other receivables	41	41
VII. Amounts receivable within one year	3,056	1,568
A. Trade receivables	52	34
B. Other receivables	3,005	1,534
VIII. Cash investments	–	–
A. Own shares	–	–
B. Other investments and deposits	–	–
IX. Cash deposits	439	328
X. Deferred assets and accrued income	2,214	2,198
TOTAL ASSETS	1,323,831	1,323,909

Condensed non-consolidated statement of financial position (continued)

in 1,000 EUR

	2022	2021
SHAREHOLDERS' EQUITY	746,068	731,657
I. Capital	565	565
A. Outstanding capital	565	565
IV. Reserves	56	56
A. Legal reserve	56	56
B. Reserves not available for distribution	—	—
1. In respect of own shares held	—	—
V. Retained earnings	745,210	730,777
VI. Investment grants	236	259
DEBTS	577,764	592,252
VIII. Long-term debt	250,004	4
D. Banks	—	—
IX. Amounts payable within one year	322,315	590,353
A. Current portion of amounts payable after more than one year	—	—
C. Trade debts	4,004	2,391
1. Trade payables	4,004	2,391
E. Taxes, remuneration and social security	5,317	4,261
1. Taxes	730	224
2. Remuneration and social security	4,587	4,017
F. Other amounts payable	312,994	583,700
X. Accrued charges and deferred income	5,445	1,896
TOTAL LIABILITIES	1,323,831	1,323,909

Condensed non-consolidated statement of comprehensive income

in 1,000 EUR

	2022	2021
I. Operating income	72,831	62,745
A. Turnover	69,395	60,275
C. Other operating income	3,436	2,469
II. Operating charges	(61,584)	(53,877)
B. Services and other goods	21,569	15,601
C. Remuneration, social security charges and pensions	30,074	26,926
D. Depreciations	9,794	11,098
E. Amounts written-off stocks, contracts in progress and trade receivables	–	–
G. Other operating charges	147	253
III. Operating result	11,247	8,868
IV. Financial income	154,497	166
B. Income from current assets	6	142
C. Other financial income	134	24
V. Financial charges	(9,710)	(5,072)
A. Debt charges	9,601	4,958
C. Other financial charges	110	114
VI. Result of the year before taxes	156,034	3,962
VII. Income taxes	(201)	(188)
A. Taxes	201	188
B. Regularization	–	–
VIII. Result of the year	155,833	3,774
IX. Profit of the year available for appropriation	155,833	3,774

Appropriation of the result

in 1,000 EUR

	2022	2021
A. Result to be appropriated	886,610	831,979
1. Result of the period available for appropriation	155,833	3,774
2. Result carried forward	730,777	828,205
B. Transfers from capital and reserves	–	3,837
C. Transfers to capital and reserves	–	–
1. To other reserves	–	–
D. Result to be carried forward	745,210	730,777
1. Result to be carried forward	745,210	730,777
F. Distribution of profit	(141,400)	(105,040)
1. Dividends	(141,400)	(105,040)

11 GLOSSARY¹¹

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 (including inventory write-offs)

Section 2.3: $226,528 + 45,167 = 271,695$

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 + total liabilities linked to leased assets and liabilities (note 8.9.5.J)

Section 8.1: $0 + 0 + 0 - 12,501 - 85,080 + 4,249 = (93,332)$

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 + lease liabilities)

Section 8.1: $(407,735 - 85,080 - 12,501) - (88,079 - 0 - 0 - 0 + 1710) = 223,785$

Net cash from operating activities

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

Capital expenditure (CAPEX)

Investments in property, plant and equipment

ROE (Return on equity)

Net income/Shareholders' equity

Liquidity

Current assets/current liabilities

Solvency

Shareholders' equity/total assets

Tangible net worth

Total assets - liabilities - intangible assets.

¹¹ and calculations for 2022 in 1,000 EUR

12 LIST OF USED ACRONYMS (1/2)

ADAS	Advanced driver-assistance system	ECU	Electronic control unit
AEC	Automotive electronics council	EGR	Exhaust gas recirculation
APAC	Asia Pacific region	ELV/ WEEE	End-of-life vehicles / Waste electrical and electronic equipment
AR-HUD	Augmented-reality head-up display	EMC	Electromagnetic compatibility
ASIC	Application-specific integrated circuit	EMEA	Europe, Middle East and Africa
ASIL	Automotive safety integrity level	EMI	Electromagnetic interference
ASSP	Application-specific standard product	EPA	Electric power-assisted steering
AWD	All-wheel drive	EPS	Electronic power steering
BLDC	Brushless DC (direct current)	ESD	Electrostatic discharge
BMC	Body control module	ESP	Electronic stability program
BMS	Battery management system	EV	Electric vehicle
BOM	Bill of materials	EVAP	Evaporation
CAN FD	Controller area network with flexible data rate	FAE	Field application engineers
CEO	Chief executive officer	FIR	Far-infrared
CFO	Chief financial officer	FOC	Field-oriented control
CMOS	Complementary metal oxide semiconductor	FOV	Field of view
CTA	Cumulative translation adjustments	GAAP	Generally accepted accounting principles
DC	Direct current	GHG	Greenhouse gases
DFN	Dual-flat no-leads	GPU	Graphics processing unit
DMS	Driver monitoring system	GRI	Global reporting initiative
DRC	Democratic Republic of Congo	HVAC	Heating, ventilation and air conditioning
DSP	Digital signal processor	IATF	International automotive task force
DVK	Development kit	IAS(B)	International accounting standards (board)
ECHA	European Chemical Agency	IC	Integrated circuit

12 LIST OF USED ACRONYMS (2/2)

ICE	Internal combustion engine	PBDE	Polybrominated diphenyl ether
IFRS	International financial reporting standards	PCB	Printed circuit board
IMC	Integrated magnetic concentrator	PWM	Pulse width modulation
IOT	Internet of things	QVGA	Quarter video graphics array
IP	Intellectual property	R&D	Research & development
IRBP	Infrared bandpass	REACH	Registration, evaluation, authorization and restriction of chemicals
ISO	International organization for standardization	RF	Radio frequency
ISO/TS	International organization for standardization/technical specification	RGB	Red, green and blue
ITOF	Indirect time-of-flight	ROHS	Restriction on the use of hazardous substances
KPI	Key performance indicator	ROM	Read-only memory
LED	Light-emitting diode	SDG	Sustainable development goals
LIN	Local interconnect network	SENT	Single edge nibble transmission
LTA	Long-term agreement	SIP	Single-in-line package
LXP	Learning experience platform	SMP	Single-mold package
MAP	Manifold absolute pressure	SOI	Silicon-on-insulator
MEMS	Micro-electromechanical system	SOT	Small outline transistor
NALA	North America and Latin America	STEM	Science, technology, engineering and mathematics
NFET	Negative-channel field effect transistor	SVHC	Substances of very high concern
OBC	On-board charger	SWTW	Semiconductor wafer test workshop
OCD	Overcurrent detection	TOF	Time-of-flight
OCI	Other comprehensive income	TPMS	Tire pressure monitoring system
OEM	Original equipment manufacturer	TRS	Transmission range selection
OLED	Organic light-emitting diode	VCSEL	Vertical-cavity surface-emitting laser
OSIC	Oxygen sensor integrated circuit	VGA	Video graphics array
PBB	Polybrominated biphenyl		

13 GRI CONTENT INDEX

For some years now, Melexis has been reporting in line with the GRI Standards. Following several internal stakeholder workshops within our company, Melexis has identified the relevant material GRI topics as seen in the table below and reports on them throughout this annual report. Fully in line with the Belgian law of 3 September 2017 (detailing the publication of non-financial information and information regarding diversity by large companies and groups), we will continue to report our sustainability efforts in accordance with the GRI Standards: Core option.

GRI STANDARD	DISCLOSURE	PAGE NUMBER/URL
GRI 101: Foundation 2016		
	GRI 101 does not include any disclosures.	Not applicable
General disclosures		
GRI 102: General disclosures 2016	102-1 Name of the organization	2
	102-2 Activities, brands, products, and services	3
	102-3 Location of headquarters	2
	102-4 Location of operations	2.2
	102-5 Ownership and legal form	2
	102-6 Markets served	3.3
	102-7 Scale of the organization	6.3.1
	102-8 Information on employees and other workers	6.3.1
	102-9 Supply chain	6.7
	102-10 Significant changes to the organization and its supply chain	6.7.2
	102-11 Precautionary principle or approach	6.6.4
	102-12 External initiatives	6.5
	102-13 Membership of associations	2.4
	102-14 Statement from senior decision-maker	1
		5
		6.4.1
		6.4.3
		6.6.1
	6.6.3	
	6.6.4	
102-15 Key impacts, risks, and opportunities	6.6.5	
	6.7.1	
	6.7.2	
	6.8.2	
	7.2	
	7.8	
	8.9	
102-16 Values, principles, standards, and norms of behavior	4	
	6.8	
102-17 Mechanisms for advice and concerns about ethics	6.8.5	
102-18 Governance structure	7	

GRI 102: General Disclosures 2016	102-21 Consulting stakeholders on economic, environmental, and social topics	6.1
	102-22 Composition of the highest governance body and its committees	7
	102-23 Chair of the highest governance body	7
	102-24 Nominating and selecting the highest governance body	7
	102-25 Conflicts of interest	7
	102-26 Role of highest governance body in setting purpose, values, and strategy	7
	102-27 Collective knowledge of highest governance body	7
	102-28 Evaluating the highest governance body's performance	7
	102-30 Effectiveness of risk management processes	7
	102-35 Remuneration policies	6.3.1
		6.3.3
		7
	102-36 Process for determining remuneration	6.3.1
		6.3.3
		7
	102-38 Annual total compensation ratio	7
	102-40 List of stakeholder groups	6.2
	102-41 Collective bargaining agreements	6.4.2
	102-42 Identifying and selecting stakeholders	6.2
	102-43 Approach to stakeholder engagement	6.2
		6.6.6
	102-44 Key topics and concerns raised	6.2
	102-45 Entities included in the consolidated financial statements	8.9.5
	102-46 Defining report content and topic boundaries	6.1
	102-47 List of material topics	6.1
102-50 Reporting period	14	
102-51 Date of the most recent report	The most recent report was the 2021 annual report.	
102-52 Reporting cycle	Annual	
102-53 Contact point for questions regarding the report	14	
102-54 Claims of reporting in accordance with the GRI Standards	13	
102-55 GRI content index	13	
Economic disclosures		
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	8.6
	201-2 Financial implications and other risks and opportunities due to climate change	6.6.1
		6.6.4
		6.6.7
	8.9.5.AN	
201-3 Defined benefit plan obligations and other retirement plans	6.3.1	
	8.9.3	
8.9.5.AH		
201-4 Financial assistance received from government	8.5	
	8.9.3	
	8.9.5.U	
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	8.9.5
	203-2 Significant indirect economic impacts	8.9.5

Material topics		
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	6.8.2
	205-2 Communication and training about anti-corruption policies and procedures	6.8.2
	205-3 Confirmed incidents of corruption and actions taken	6.8.2
GRI 301: Materials 2016	301-1 Materials used by weight or volume	6.6.3
		6.6.4
		6.6.5
	301-2 Recycled input materials used	6.6.3
		6.6.4
		6.6.5
301-3 Reclaimed products and their packaging materials	6.6.3	
	6.6.4	
	6.6.5	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	6.6
	302-3 Energy intensity	6.6
	302-4 Reduction of energy consumption	6.6
GRI 303: Water 2016	303-1 Water withdrawal by source	6.6.3
		6.6.4
GRI 305: Emissions 2016	305-1 Direct (scope 1) GHG emissions	6.6.1
	305-2 Energy indirect (scope 2) GHG emissions	6.6.1
	305-4 GHG emissions intensity	6.6.1
	305-5 Reduction of GHG emissions	6.6.1
GRI 306: Waste 2020	306-3 Waste generated	6.6.3
		6.6.4
GRI 308: Supplier environmental assessment 2016	308-1 New suppliers that were screened using environmental criteria	6.7.3
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	6.3.1
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.3.1
	401-3 Parental leave	6.3.1
GRI 403: Occupational health and safety 2018	403-1 Occupational health and safety management system	6.4
	403-2 Hazard identification, risk assessment, and incident investigation	6.4
	403-3 Occupational health services	6.4
	403-4 Worker participation, consultation, and communication on occupational health and safety	6.4
	403-5 Worker training on occupational health and safety	6.4
	403-6 Promotion of worker health	6.4
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	6.4
	403-9 Work-related injuries	6.4
	403-10 Work-related ill health	6.4
	GRI 404: Training and education 2016	404-1 Average hours of training per year per employee
404-2 Programs for upgrading employee skills and transition assistance programs		6.3.2
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	6.3.3
	405-2 Ratio of basic salary and remuneration of women to men	6.3.3

GRI 408: Child labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	6.8.1
GRI 409: Forced or compulsory labor 2016	409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labor	6.8.1
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	6.5
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	6.7.3

14 ABOUT THIS REPORT

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Web: www.melexis.com/en/investors

Responsible editor Marc Biron, Managing Director

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

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

This annual report covers the period 1 January - 31 December 2022. You can find the financial report as of page 87. The report has also been made compliant with the Belgian law of 3 September 2017 detailing the publication of non-financial information and information regarding diversity by certain large companies and groups. For this information, Melexis uses the Global Reporting Initiative Standards: Core option. We are committed to report on our sustainability efforts increasingly over the next few years. You can find the GRI content index on pages 148-151.



STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF MELEXIS NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

We have been appointed as statutory auditor by the general meeting d.d. 12 May 2020, following the proposal formulated by the board of directors and following the recommendation by the audit committee. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2022. We have performed the statutory audit of the Company's consolidated accounts for 6 consecutive years.

Report on the annual accounts

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of EUR 580.232.969 and a net profit for the year of EUR 197.152.664.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing as approved by the IAASB which are applicable to the year-end and which are not yet approved at the national level. Our responsibilities under those standards are further described in the "Statutory auditor's responsibilities for the audit of the consolidated accounts" section of our report. We have fulfilled our ethical responsibilities in accordance



with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

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

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

Key audit matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the consolidated accounts of the current period. This matter was addressed in the context of our audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter regarding assumptions and estimates on tax positions

Description of the key audit matter

The global organisation and the business nature of Melexis' operations, results in complex tax accounting. The group operates across multiple countries and is subject to periodic challenges by local tax authorities on a range of income tax matters during the normal course of business. Income tax legislation is open to different interpretations and the income tax treatment of some items might be uncertain as it is subject to judgement (ref notes 8.9.3 and 8.9.5.E). Income tax audits can require several years to conclude and transfer pricing decisions may impact the group's income tax positions.

Given the level of complexity involved, we consider assumptions and estimates on tax positions to be a key audit matter.

How our audit addressed the key audit matter

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

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

The board of directors is responsible for the preparation of consolidated accounts that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines 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.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium. A statutory audit does not provide any assurance as to the Group's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management at Group level. Our responsibilities in respect of the use of the going concern basis of accounting by the board of directors are described below.

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

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



required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Other legal and regulatory requirements

Responsibilities of the board of directors

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

Statutory auditor's responsibilities

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



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

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this directors' report is consistent with the consolidated accounts for the year under audit and is prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

The non-financial information required by virtue of article 3:32, §2 of the Companies' and Associations' Code is included in the directors' report on the consolidated accounts which is part of the section number 2, 3, 4, 5, 6 and 7 of the annual report. The Company has prepared the non-financial information, based on the Global Reporting Initiative (GRI) framework. However, in accordance with article 3:80, §1, 5° of the Companies' and Associations' Code, we do not express an opinion as to whether the non-financial information has been prepared in accordance with the Global Reporting Initiative (GRI) framework as disclosed in the directors' report on the consolidated accounts.

Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts, and our registered audit firm remained independent of the Group in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 3:65 of the Companies' and Associations' Code are correctly disclosed and itemised in the notes to the consolidated accounts.

European Uniform Electronic Format (ESEF)

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

The board of directors is responsible for the preparation, in accordance with ESEF requirements, of the consolidated financial statements in the form of an electronic file in



ESEF format (hereinafter “digital consolidated financial statements”) included in the annual financial report.

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

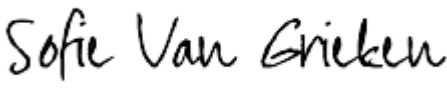
Based on the work we have performed, we believe that the format of and marking of information in the digital consolidated financial statements included in the annual financial report of Melexis NV per 31 December 2022 comply in all material respects with the ESEF requirements under the Delegated Regulation.

Other statements

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

Antwerp, 6 April 2023

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

DocuSigned by:

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Sofie Van Grieken
Réviseur d'Entreprises / Bedrijfsrevisor



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