

An underwater scene featuring two striped fish swimming towards the left. The background is a vibrant coral reef with various types of coral. The water surface is visible at the top, showing ripples and reflections. The entire image has a teal color overlay.

Melexis

INSPIRED ENGINEERING

HALF-YEAR REPORT **2020**

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COMMENTS ON THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS PREPARED ACCORDING TO IFRS STANDARDS

1.1 SELECTED FINANCIAL FIGURES

The tables below set out the components of Melexis' operating income and operating expenses, as well as the key elements of the condensed consolidated interim statement of financial position.

Condensed consolidated interim income statement

in EUR

| | Half year ended 30/06/2020 | Half year ended 30/06/2019 |
|----------------------------------------|----------------------------|----------------------------|
| Product sales | 238,372,508 | 236,357,864 |
| Revenues from research and development | 176,144 | 180,915 |
| Total sales | 238,548,652 | 236,538,779 |
| Cost of sales | (143,707,884) | (140,032,910) |
| Gross margin | 94,840,768 | 96,505,869 |
| Research and development expenses | (38,717,556) | (39,274,031) |
| General and administrative expenses | (14,980,771) | (15,361,310) |
| Selling expenses | (7,059,440) | (7,693,248) |
| Operating result (EBIT) | 34,083,002 | 34,177,280 |
| Financial result (net) | (495,627) | (704,217) |
| Result before taxes | 33,587,375 | 33,473,063 |
| Income taxes | (3,205,316) | (3,952,645) |
| Net result of the period | 30,382,059 | 29,520,418 |
| Net profit of the Group | 30,382,059 | 29,520,418 |
| Attributable to owners of the parent | 30,382,059 | 29,520,418 |

Condensed consolidated interim statement of financial position

in EUR

| | Half year ended 30/06/2020 | Year ended 31/12/2019 |
|-------------------------|----------------------------|-----------------------|
| Current assets | 270,433,329 | 237,327,901 |
| Non-current assets | 172,472,892 | 181,281,953 |
| Current liabilities | 48,369,307 | 54,175,523 |
| Non-current liabilities | 65,548,855 | 65,364,012 |
| Equity | 328,988,059 | 299,070,320 |

1.2 EXCHANGE RATES

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 its subsidiaries is as follows:

| | |
|---------------------------------------------------|------------|
| Melexis Inc. | USD |
| Melexis GmbH | EUR |
| Melexis Bulgaria EOOD | BGN |
| Melexis Ukraine | UAH |
| Melexis Technologies SA | CHF |
| Melexis NV/BO France | EUR |
| Sentron AG | CHF |
| Melefin NV | EUR |
| Melexis Technologies NV | EUR |
| Melexis NV/BO Philippines | PHP |
| K.K. Melexis Japan Technical Research Center | JPY |
| Melexis Electronic Technology (Shanghai) Co., Ltd | CNY |
| Melexis (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 Technologies SA, Sentron AG, Melexis Ukraine, Melexis Bulgaria EOOD, Melexis NV/BO Philippines, Melexis Electronic Technology (Shanghai) Co., Ltd, Melexis Technologies NV/BO Malaysia, Melexis (Malaysia) Sdn. Bhd., Melexis Korea Yuhan Hoesa and K.K. Melexis Japan Technical Research Center are translated at exchange rates at the end of the reporting period. 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' (CTA) in the statement of financial position.

1.3 RESULT OF OPERATIONS

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

Revenues

Total sales amounted to EUR 238,372,508, an increase of 0.85% compared to the first half year of 2019. Specific research and development activities are performed under contract for customers. For the first half year of 2020, the company invoiced EUR 176,144 research and development costs to its customers, compared to EUR 180,915 in the first half year of 2019. Sales to automotive customers represented 89% of sales in the first half of 2020. ASSP sales represented 67% of all sales.

In the second quarter of 2020, revenues were significantly impacted by the COVID-19 pandemic. For more details, we refer to note 2.6.5 O.

Cost of sales

Costs of sales consist of materials (raw material and semi-finished parts), subcontracting, labor, depreciation and other direct production expenses. They increased from EUR 140,032,910 in the first half year of 2019 to EUR 143,707,884 in the first half year of 2020. Expressed as a percentage of sales, the cost of sales was 60% in the first half year of 2020, compared to 59% in the first half year of 2019.

Gross margin

The gross margin, expressed as a percentage of sales, was 40% in the first half year of 2020, compared to 41% in the first half year of 2019.

Research and development expenses

Research and development expenses amounted to EUR 38,717,556 in the first half year of 2020, representing 16% of sales. The main research and development activities focused on magnetic sensors, inductive sensors, pressure sensors, temperature sensors, optical sensors, sensor interfaces, embedded drivers, embedded lighting and smart drivers.

General, administrative and selling expenses

General, administrative and selling expenses consist mainly of salaries and salary related expenses, office equipment and related expenses, commissions, travel and advertising expenses. The general, administrative and selling expenses decreased by 4% compared to the first half year of 2019, mainly as a result of cost savings.

Financial result

The net financial result increased from EUR 704,217 loss in the first half year of 2019 to EUR 495,627 loss in the first half year of 2020. The (net) interest result decreased from a loss of EUR 349,294 in the first half year of 2019 to a loss of EUR 405,078 in the first half year of 2020. The net exchange results (both realized and unrealized) in the first half year of 2020 amounted to a loss of EUR 22,056, compared to a loss of EUR 287,211 during the first half year of 2019.

Net income

There was an increase in net income from EUR 29,520,418 in 2019 to EUR 30,382,059 in 2020, mainly due to lower income taxes.

1.4 LIQUIDITY, WORKING CAPITAL AND CAPITAL RESOURCES

Cash and cash deposits amounted to EUR 57,622,490 as of 30 June 2020, in comparison to EUR 38,771,524 as of 31 December 2019.

In the first half year of 2020, operating cash flow before working capital changes amounted to EUR 55,064,362 compared to EUR 60,498,968 in the first half year of 2019. Net operating cash flow including working capital changes amounted to EUR 31,273,980, compared to EUR 21,721,841 in the first half year of 2019. The increase in net operating cash flow is mainly due to changes in other current assets and income tax paid, partially compensated by an increase in inventories to be able to supply a future ramp-up in demand.

The cash flow from investing activities was negative for an amount of EUR 11,327,230, mainly as a result of investments in fixed assets.

The cash flow from financing activities was negative for an amount of EUR 1,071,451 mainly due to the repayment of leases.

1.5 RISK FACTORS

Melexis, as any company, is continuously confronted with a number of market and competition risks or more specific risks related to the company (including but not limited to currency fluctuations, customer concentration, dependence on key personnel, product liability, IP or litigation). More information on risk factors can be found in the annual report 2019.

Melexis believes that the most noteworthy risks that the company is facing for the coming half year would be the volatility in supply and demand, the fluctuations in the USD exchange rate and the impact of COVID-19.

For risks related to COVID-19, please refer to note 2.6.5 O.

1.6 EVENTS AFTER THE BALANCE SHEET DATE

There are no events after the balance sheet date that have a material impact on the condensed consolidated interim financial statements.

1.7 STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of Melexis certifies, on behalf and for the account of the company, that, to their knowledge,

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

(b) the comments on the consolidated accounts include 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.

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.1 CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

in EUR

| | | | Half year ended 30/06/2020 | Year started 01/01/2020 |
|---------------------------------|-----------------------------------------|--------------|-------------------------------|----------------------------|
| ASSETS | | | | |
| Current assets | Cash and cash equivalents | Note 2.6.5 A | 57,622,490 | 38,771,524 |
| | Current investments, derivatives | | - | 78,437 |
| | Accounts receivable - trade | | 48,965,939 | 58,310,231 |
| | Accounts receivable - related companies | Note 2.6.5 K | 95,274 | 135,774 |
| | Assets for current tax | | 1,673,743 | 1,745,394 |
| | Inventories | | 148,369,341 | 128,505,476 |
| | Other current assets | Note 2.6.5 D | 13,706,542 | 9,781,065 |
| Total current assets | | | 270,433,329 | 237,327,901 |
| Non-current assets | Deferred tax assets | Note 2.6.5 I | 28,147,800 | 27,649,279 |
| | Other non-current assets | | 3,000 | 3,000 |
| | Leased assets | Note 2.6.5 E | 4,047,943 | 4,812,548 |
| | Property, plant and equipment | Note 2.6.5 F | 134,987,452 | 143,607,634 |
| | Intangible assets | | 5,286,697 | 5,209,492 |
| Total non-current assets | | | 172,472,892 | 181,281,953 |
| TOTAL ASSETS | | | 442,906,221 | 418,609,854 |

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

in EUR

| | | | Half year ended 30/06/2020 | Year started 01/01/2020 |
|----------------------------------------------|---------------------------------------------|--------------|-------------------------------|----------------------------|
| LIABILITIES | | | | |
| Current liabilities | Derivative financial instruments | Note 2.6.5 B | 83,864 | - |
| | Lease liabilities | Note 2.6.5 E | 942,292 | 1,824,954 |
| | Accounts payable - trade | | 17,136,709 | 16,139,383 |
| | Accounts payable - related companies | Note 2.6.5 K | 10,101,342 | 15,732,800 |
| | Accrued expenses, payroll and related taxes | | 11,722,756 | 10,642,846 |
| | Accrued taxes | | 1,560,846 | 3,250,601 |
| | Other current liabilities | Note 2.6.5 G | 4,466,007 | 4,304,950 |
| | Deferred income | | 2,355,491 | 2,279,988 |
| Total current liabilities | | | 48,369,307 | 54,175,523 |
| Non-current liabilities | Long-term debt less current portion | Note 2.6.5 H | 62,000,000 | 62,000,000 |
| | Lease liabilities | Note 2.6.5 E | 3,146,240 | 3,026,754 |
| | Deferred tax liabilities | Note 2.6.5 I | 402,614 | 337,258 |
| Total non-current liabilities | | | 65,548,855 | 65,364,012 |
| Shareholders' capital | | | 564,814 | 564,814 |
| Reserve treasury shares | | | (3,817,835) | (3,817,835) |
| Legal reserve | | | 56,520 | 56,520 |
| Retained earnings | | | 337,237,911 | 306,855,934 |
| Cumulative translation adjustment | | | (5,053,760) | (4,589,522) |
| Equity attributable to company owners | | | 328,987,649 | 299,069,910 |
| Non-controlling interest | | | 410 | 410 |
| Total equity | | | 328,988,059 | 299,070,320 |
| TOTAL LIABILITIES AND EQUITY | | | 442,906,221 | 418,609,854 |

2.2 CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT AND LOSS

in EUR

| | Half year ended 30/06/2020 | Half year ended 30/06/2019 |
|----------------------------------------|----------------------------|----------------------------|
| Product sales | 238,372,508 | 236,357,864 |
| Revenues from research and development | 176,144 | 180,915 |
| Total sales | 238,548,652 | 236,538,779 |
| Cost of sales | (143,707,884) | (140,032,910) |
| Gross margin | 94,840,768 | 96,505,869 |
| Research and development expenses | (38,717,556) | (39,274,031) |
| General and administrative expenses | (14,980,771) | (15,361,310) |
| Selling expenses | (7,059,440) | (7,693,248) |
| Result from operations (EBIT) | 34,083,002 | 34,177,280 |
| Financial income | 2,645,551 | 828,310 |
| Financial charges | (3,141,179) | (1,532,527) |
| Result before taxes | 33,587,375 | 33,473,063 |
| Income taxes | (3,205,316) | (3,952,645) |
| Net result of the period | 30,382,059 | 29,520,418 |
| Earnings per share non-diluted | 0.75 | 0.73 |
| Earnings per share diluted | 0.75 | 0.73 |

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

2.3 CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

in EUR

| | Half year ended 30/06/2020 | Half year ended 30/06/2019 |
|-----------------------------------------------------------------------------------------------|-------------------------------|-------------------------------|
| Net result | 30,382,059 | 29,520,418 |
| Other comprehensive income | | |
| Recyclable components | | |
| Cumulative translation adjustment | (464,238) | 300,478 |
| Total other comprehensive income/(loss) for the period, net of related tax effects | (464,238) | 300,478 |
| Total comprehensive income/(loss) for the period | 29,917,820 | 29,820,896 |
| Total comprehensive income attributable to owners of the parent | 29,917,820 | 29,820,896 |

2.4 CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

in EUR

| | Number of shares | Share capital | Legal reserve | Retained earnings |
|-----------------------------------------------|-------------------|----------------|---------------|---------------------|
| 31 December 2018 | 40,400,000 | 564,814 | 56,520 | 334,719,404 |
| Net result | - | - | - | 29,520,418 |
| CTA movement | - | - | - | - |
| Other comprehensive income | - | - | - | - |
| Dividend | - | - | - | (36,048,473) |
| Transactions with owners of the parent | - | - | - | (36,048,473) |
| 30 June 2019 | 40,400,000 | 564,814 | 56,520 | 328,191,348 |
| Net result | - | - | - | 30,734,816 |
| CTA movement | - | - | - | (214) |
| Other comprehensive income | - | - | - | (214) |
| Dividend | - | - | - | (52,070,017) |
| Non-controlling interest | - | - | - | - |
| Transactions with owners of the parent | - | - | - | (52,070,017) |
| 31 December 2019 | 40,400,000 | 564,814 | 56,520 | 306,855,934 |
| Net result | - | - | - | 30,382,059 |
| CTA movement | - | - | - | (81) |
| Hedge reserves | - | - | - | - |
| Other comprehensive income | - | - | - | (81) |
| 30 June 2020 | 40,400,000 | 564,814 | 56,520 | 337,237,911 |

Melexis NV holds 1,785 own shares and Melexis Technologies NV holds 344,356 shares of Melexis NV, in total representing 0.86% of shares outstanding. During 2018, 2019 and the first half year of 2020, no additional purchase of own shares was done, therefore the amount of own shares held by Melexis NV and Melexis Technologies NV remains the same.

| Reserve treasury shares | Hedge reserve | CTA | Non-controlling interest | Total equity |
|-------------------------|---------------|-------------|--------------------------|--------------|
| (3,817,835) | - | (5,527,096) | 10,471 | 326,006,277 |
| - | - | - | - | 29,520,418 |
| - | - | 300,478 | - | 300,478 |
| - | - | 300,478 | - | 300,478 |
| - | - | - | - | (36,048,473) |
| - | - | - | - | (36,048,473) |
| (3,817,835) | - | (5,226,618) | 10,471 | 319,778,700 |
| - | - | - | - | 30,734,816 |
| - | - | 637,096 | - | 636,882 |
| - | - | 637,096 | - | 636,882 |
| - | - | - | - | (52,070,017) |
| - | - | - | (10,061) | (10,061) |
| - | - | - | (10,061) | (52,080,078) |
| (3,817,835) | - | (4,589,522) | 410 | 299,070,320 |
| - | - | - | - | 30,382,059 |
| - | - | - | - | (81) |
| - | - | (464,238) | - | (464,238) |
| - | - | (464,238) | - | (464,319) |
| (3,817,835) | - | (5,053,760) | 410 | 328,988,059 |

2.5 CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

in EUR (indirect method)

| | | Half year ended 30/06/2020 | Half year ended 30/06/2019 |
|-----------------------------------------------------------|--------------|-------------------------------|-------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net result | | 30,382,059 | 29,520,418 |
| Adjustments for operating activities: | | | |
| Deferred taxes | Note 2.6.5 I | (489,521) | 1,316,753 |
| Unrealized exchange results | | (3,387) | 436,435 |
| Accrued income tax | | 816,045 | 4,360,483 |
| Government grants | | 397,325 | 323,430 |
| Depreciations | | 23,069,739 | 23,347,274 |
| Depreciations leased assets | | 955,668 | 835,283 |
| Financial results | | (54,566) | 358,892 |
| Operating cash flow before working capital changes | | 55,064,362 | 60,498,968 |
| Accounts receivable, net | | 9,321,253 | 6,766,352 |
| Other current assets | | (4,235,708) | (12,721,175) |
| Other non-current assets | | - | (3,600) |
| Due to related companies | Note 2.6.5 K | (5,631,458) | 685,807 |
| Due from related companies | Note 2.6.5 K | 40,500 | 48,345 |
| Accounts payable | | 1,011,608 | (4,644,687) |
| Accrued expenses | | 1,079,910 | (107,001) |
| Other current liabilities | | 109,881 | 1,469,698 |
| Other non-current liabilities | | 224,723 | (785,420) |
| Inventories | | (22,939,746) | (11,774,981) |
| Interest paid | | (265,546) | (204,127) |
| Income tax paid | | (2,505,799) | (17,506,338) |
| Net cash from operating activities | | 31,273,980 | 21,721,841 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | Note 2.6.5 F | (10,320,968) | (12,849,566) |
| Purchase of intangible assets | | (1,134,432) | (2,034,867) |
| Interests received | | 49,733 | 49,431 |
| Investments, proceeds from current investments | | 78,437 | 86,500 |
| Net cash used in investing activities | | (11,327,230) | (14,748,502) |

Condensed consolidated interim statement of cash flow (continued)

| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
|-----------------------------------------------|--------------|--------------------|---------------------|
| Repayment from long-term debts | Note 2.6.5 H | 13,918 | (1,044,038) |
| Repayment leasings | | (954,238) | (806,886) |
| Proceeds of long-term debts | | - | 28,000,000 |
| Impact of exchange results on financing items | | (131,131) | (308,432) |
| Dividend payment | | - | (36,048,473) |
| Net cash used in financing activities | | (1,071,451) | (10,207,829) |
| Effect of exchange rate changes on cash | | (24,334) | 19,899 |
| (Decrease) increase in cash | | 18,850,966 | (3,214,592) |
| Cash at beginning of the period | | 38,771,524 | 34,521,923 |
| Cash at the end of the period | Note 2.6.5 A | 57,622,490 | 31,307,332 |

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

The movement in net debt is as follows:

in EUR

| | 1 January 2020 | Cash flows | Non-cash changes | 30 June 2020 |
|------------------------------------|-----------------------|-------------------|-----------------------------------|---------------------|
| | | | Foreign exchange movements | |
| Current portion of long-term debts | - | - | - | - |
| Long-term debts | 62,000,000 | - | - | 62,000,000 |
| Total debt | 62,000,000 | - | - | 62,000,000 |

2.6 NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.6.1 Company information

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

The Melexis Group of companies employed, on average (in FTE) 1,458 people at the end of June in 2020 and 1,525 at the end of June in 2019.

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

The consolidated statements were authorized for issue by the Board of Directors subsequent to their meeting held on 17 August 2020 in Tessenderlo.

2.6.2 Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ('IASB') and as adopted by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the company for the year ended 31 December 2019. Melexis has not applied early any new IFRS requirements that are not yet effective in 2020.

2.6.3 Summary of significant accounting policies

The accounting policies applied, computation and presentation are consistent with those applied in the annual consolidated financial statements ended 31 December 2019, except as described below.

During the current financial year, the company 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 as per 30 June 2020. The Group has not applied new IFRS requirements that are not yet effective as per 30 June 2020.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2020 and have been endorsed by the European Union:

- Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.
- Amendments to the definition of material in IAS 1 and IAS 8 (effective 1 January 2020). The amendments clarify the definition of material and make IFRSs more consistent. The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole. The amendment also clarifies the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial state-

ments for much of the financial information they need. The amendments are not expected to have a significant impact on the preparation of financial statements.

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective 1 January 2020). The amendments require qualitative and quantitative disclosures to enable users of financial statements to understand how an entity's hedging relationships are affected by the uncertainty arising from interest rate benchmark reform.
- Amendments to the guidance of IFRS 3 Business Combinations, that revises the definition of a business (effective 1 January 2020). The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce. The changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions across all industries, particularly real estate, pharmaceutical, and oil and gas. Application of the changes would also affect the accounting for disposal transactions.

The following new standards and amendments have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2020 and have not been endorsed by the European Union:

- Amendments to IAS 1 'Presentation of Financial Statements: Classification of Liabilities as current or non-current' (effective 1 January 2022), 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. The IASB has issued an exposure draft to defer the effective date to 1 January 2023. 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.
- IFRS 17 'Insurance contracts' (effective 1 January 2023). This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. On 17 March 2020, IASB decided to defer the effective date to annual reporting periods beginning on or after 1 January 2023. The Board expects to issue the amendments to IFRS 17 in the second quarter of 2020.
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements (effective 01/01/2022). The package of amendments includes narrow-scope amendments to three Standards as well as the Board's Annual Improvements, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards.
 - Amendments to IFRS 3 Business Combinations update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - Amendments to IAS 16 Property, Plant and Equipment prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead,

a company will recognise such sales proceeds and related cost in profit or loss.

- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets specify which costs a company includes when assessing whether a contract will be loss-making.
- Annual Improvements make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases
- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (effective 01/06/2020, with early application permitted). If certain conditions are met, the Amendment would permit lessees, as a practical expedient, not to assess whether particular covid-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient would account for those rent concessions as if they were not lease modifications.

The following standard is mandatory since the financial year beginning 1 January 2016 (however not yet subjected to EU endorsement). The European Commission has decided not to launch the endorsement process of this interim standard but to wait for the final standard:

- IFRS 14, 'Regulatory deferral accounts' (effective 1 January 2016). It concerns an interim standard on the accounting for certain balances that arise from rate-regulated activities. IFRS 14 is only applicable to entities that apply IFRS 1 as first-time adopters of IFRS. It permits such entities, on adoption of IFRS, to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. The interim standard also provides guidance on selecting and changing accounting policies (on first-time adoption or subsequently) and on presentation and disclosure.

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 30 June 2020.

2.6.4 Changes in Group's organization

There have been no changes in the Group structure during 2020.

2.6.5 Notes

A. CASH AND CASH EQUIVALENTS

in EUR

| | Half year ended 30/06/2020 | Year ended 31/12/2019 |
|--------------------------|----------------------------|-----------------------|
| Cash at bank and in hand | 57,622,490 | 38,771,524 |
| Total | 57,622,490 | 38,771,524 |

B. DERIVATIVES

Notional amounts

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

| | | Half year ended 30/06/2020 | Year ended 31/12/2019 |
|------------------------------------------------------|-----|----------------------------|-----------------------|
| Outstanding FX hedge contracts, not exceeding 1 year | USD | 13,000,000 | 13,000,000 |

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

Fair value

The fair value of derivatives is based upon mark to market valuations. The following table presents an overview of the fair value of outstanding derivatives, classified as an asset under current investment, derivatives:

Fair value in EUR

| Assets | Half year ended 30/06/2020 | Year ended 31/12/2019 |
|---------------------------------------------------|----------------------------|-----------------------|
| Outstanding FX hedge contracts - level 2 | - | 78,437 |
| Total, classified under current investment | - | 78,437 |

These financial instruments are classified as financial assets at fair value through profit or loss.

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

Fair value in EUR

| Liabilities | Half year ended 30/06/2020 | Year ended 31/12/2019 |
|-----------------------------------------------------------------|----------------------------|-----------------------|
| Outstanding FX hedge contracts - level 2 | 83,864 | - |
| Total, classified under Derivative financial instruments | 83,864 | - |

As of 30 June 2020, there were no outstanding derivatives for which hedge accounting was applied as defined under IFRS 9. As a result, no changes in the fair value of hedging instruments were recognized in a hedging reserve.

C. TRADE RECEIVABLES

in EUR

| | Half year ended 30/06/2020 | Year ended 31/12/2019 |
|---------------------------------|----------------------------|-----------------------|
| Trade accounts receivables | 49,038,167 | 58,382,459 |
| Allowance for doubtful accounts | (72,228) | (72,228) |
| Total | 48,965,939 | 58,310,231 |

As of 30 June 2020, trade receivables of EUR 4,020,276 were past due.

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

in EUR

| | Half year ended 30/06/2020 | Year ended 31/12/2019 |
|--------------|----------------------------|-----------------------|
| Not due | 44,945,663 | 51,768,559 |
| <30 days | 3,170,212 | 4,960,377 |
| >30 <60 days | 625,898 | 854,631 |
| >60 days | 224,166 | 726,663 |
| Total | 48,965,939 | 58,310,231 |

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

| 30 June 2020 | Allowance for doubtful accounts | No allowance for doubtful accounts | Total receivables |
|--------------|---------------------------------|------------------------------------|-------------------|
| Not due | - | 44,945,663 | 44,945,663 |
| <30 days | - | 3,170,212 | 3,170,212 |
| >30 <60 days | - | 625,898 | 625,898 |
| >60 days | 72,228 | 224,166 | 296,394 |
| Total | 72,228 | 48,965,939 | 49,038,167 |

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.

D. OTHER CURRENT ASSETS

in EUR

| | Half year ended 30/06/2020 | Year ended 31/12/2019 |
|-------------------|----------------------------|-----------------------|
| Other receivables | 7,396,107 | 6,681,549 |
| Prepaid expenses | 6,310,435 | 3,099,516 |
| Total | 13,706,542 | 9,781,065 |

The other receivables mainly relate to VAT.

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

E. 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

| 30 June 2020 | Land and building | Furniture and vehicles | Total |
|-------------------------------------|-------------------|------------------------|------------------|
| Leased assets | | | |
| Balance year ended 31 December 2019 | 6,425,811 | 221,960 | 6,647,772 |
| Additions of the year | 82,161 | 97,468 | 179,629 |
| Retirements (-) | - | (32,018) | (32,018) |
| CTA | (5,848) | - | (5,848) |
| End of the period | 6,502,125 | 287,410 | 6,789,535 |
| Accumulated depreciation | | | |
| Balance year ended 31 December 2019 | 1,751,571 | 83,652 | 1,835,223 |
| Additions of the period | 890,742 | 57,064 | 947,807 |
| Retirements (-) | - | (32,018) | (32,018) |
| CTA | (9,420) | - | (9,420) |
| End of the period | 2,632,894 | 108,698 | 2,741,592 |
| NET BOOK VALUE | 3,869,231 | 178,712 | 4,047,943 |

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

in EUR

| 30 June 2020 | Current liabilities | Non-current liabilities | Total |
|--------------------------|---------------------|-------------------------|------------------|
| Beginning of the period | 1,824,954 | 3,026,754 | 4,851,708 |
| End of the period | 942,292 | 3,146,240 | 4,088,532 |

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

in EUR

| 30 June 2020 | Land and building | Furniture and vehicles | Total |
|---------------------|--------------------------|-------------------------------|------------------|
| < 1 year | 66,521 | 3,702 | 70,223 |
| > 1 year < 5 years | 2,669,298 | 181,122 | 2,850,420 |
| > 5 years | 1,167,889 | - | 1,167,889 |
| TOTAL | | | 4,088,532 |

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

in EUR

| 30 June 2020 | Total |
|----------------------------------------------------------------------------------------|--------------|
| Depreciation charges leased buildings | 898,603 |
| Depreciation charges leased vehicles | 57,604 |
| Interest expense (included in finance cost) | 16,446 |
| Expenses related to short-term leases or low-value assets (included in admin expenses) | 344,896 |

F. PROPERTY, PLANT AND EQUIPMENT

in EUR

| | Land & buildings | Machinery & equipment | Furniture & vehicles | Fixed assets under construction | Total |
|-----------------------------------------------------|-------------------|-----------------------|----------------------|---------------------------------|--------------------|
| Cost: | | | | | |
| Balance year ended 31 December 2019 | 57,351,006 | 319,880,942 | 19,761,499 | 12,112,168 | 409,105,615 |
| Additions of the year | 74,035 | 2,767,835 | 1,458,056 | 6,254,505 | 10,554,431 |
| Retirements (-) | - | (1,201,889) | (220,718) | - | (1,422,607) |
| Transfers | 115,063 | 2,173,043 | 172,042 | (2,460,149) | - |
| CTA | (10,628) | (954,711) | 3,491 | 523,162 | (438,686) |
| Total half year ended 30 June 2020 | 57,529,476 | 322,665,220 | 21,174,371 | 16,429,687 | 417,798,753 |
| Accumulated depreciation: | | | | | |
| Balance year ended 31 December 2019 | 20,042,087 | 231,555,971 | 13,899,924 | - | 265,497,982 |
| Additions of the year | 1,166,007 | 16,427,967 | 1,382,476 | - | 18,976,450 |
| Retirements (-) | - | (931,142) | (185,252) | - | (1,116,394) |
| CTA | 7,049 | (542,313) | (11,472) | - | (546,736) |
| Total half year ended 30 June 2020 | 21,215,143 | 246,510,483 | 15,085,675 | - | 282,811,301 |
| Carrying amount half year ended 30 June 2020 | 36,314,333 | 76,154,737 | 6,088,696 | - | 134,987,452 |
| Carrying amount year ended 31 December 2019 | 37,308,918 | 88,324,971 | 5,861,576 | 12,112,168 | 143,607,634 |

Additions of the year mainly relate to test equipment.

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

G. OTHER CURRENT LIABILITIES

in EUR

| | Half year ended 30/06/2020 | Year ended 31/12/2019 |
|-------------------------------------|----------------------------|-----------------------|
| Accrued real estate withholding tax | 173,100 | 110,600 |
| Accrued financial services | 318,150 | 270,783 |
| Accrued design services | 2,000,588 | 1,979,087 |
| Accrued management services | 221,156 | 434,354 |
| Accrued HR services | 171,073 | 176,720 |
| Accrued insurances | 123,931 | 112,000 |
| Accrued IT services | 34,234 | 75,620 |
| Accrued grant | 94,000 | 94,000 |
| Accrued licenses and royalties | 821,280 | 287,228 |
| Other | 508,496 | 764,557 |
| Total | 4,466,008 | 4,304,950 |

H. LONG- AND SHORT-TERM DEBT

in EUR

| | Half year ended 30/06/2020 | Year ended 31/12/2019 |
|---------------------------------------------------------------------|----------------------------|-----------------------|
| Unsecured loans | | |
| Unsecured loan (in EUR) at floating interest rate, maturing in 2028 | 40,000,000 | 37,000,000 |
| Unsecured loan (in EUR) at floating interest rate, maturing in 2028 | 12,000,000 | 15,000,000 |
| Unsecured loan (in EUR) at floating interest rate, maturing in 2028 | 10,000,000 | 10,000,000 |
| Total unsecured loans | 62,000,000 | 62,000,000 |
| Total debt | 62,000,000 | 62,000,000 |
| Current maturities | - | - |
| Long-term portion of debts | 62,000,000 | 62,000,000 |

As per 30 June 2020 and for Melexis consolidated, there are engagements for the following financial covenants:

For Melexis NV:

- Net debt/EBITDA ratio \leq 3.5
- Tangible net worth/total assets \geq 30%

As per 30 June 2020, Melexis is respecting all its financial covenants.

I. COMPONENTS OF DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets are as follows:

in EUR

| | 1 January 2020 | Charged to income statement | Charged to equity | 30 June 2020 |
|-----------------------------------------------------------------------------------|-------------------|--------------------------------|----------------------|-------------------|
| Amortization and depreciation of intangible assets, property, plant and equipment | 24,938,000 | 813,000 | - | 25,751,000 |
| Fair value adjustments financial instruments | (23,202) | 44,168 | - | 20,966 |
| Tax losses carried forward | 2,350,000 | (340,000) | - | 2,010,000 |
| Other | 384,481 | (18,647) | - | 365,834 |
| Total | 27,649,279 | 498,521 | - | 28,147,800 |

Components of deferred tax liabilities are as follows:

in EUR

| | 1 January 2020 | Charged to income statement | Charged to equity | 30 June 2020 |
|--------------|-------------------|--------------------------------|----------------------|------------------|
| Other | (337,258) | (65,356) | - | (402,614) |
| Total | (337,258) | (65,356) | - | (402,614) |

J. OPERATING SEGMENTS

Operating segments

Melexis products and production processes that are regularly evaluated by the chief operating decision maker have only one operating segment. Operating decisions are taken for each individual product during a committee led by the CEO, based on performance assessments.

Information about transactions with major customers

The following table summarizes sales by customer for the 10 most important customers, as % of total sales. It consists of the sales to the end customer and not to the subcontractors or distributors.

in %

| | Half year ended 30/06/2020 | Half year ended 30/06/2019 | Year ended 31/12/2019 |
|--------------|----------------------------|----------------------------|-----------------------|
| Customer A | 16 | 16 | 15 |
| Customer B | 5 | 7 | 7 |
| Customer C | 5 | 6 | 6 |
| Customer D | 5 | 6 | 6 |
| Customer E | 4 | 3 | 3 |
| Customer F | 2 | 3 | 3 |
| Customer G | 2 | 3 | 3 |
| Customer H | 2 | 3 | 2 |
| Customer I | 2 | 2 | 2 |
| Customer J | 2 | 2 | 2 |
| Total | 45 | 51 | 49 |

Information about geographical areas

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

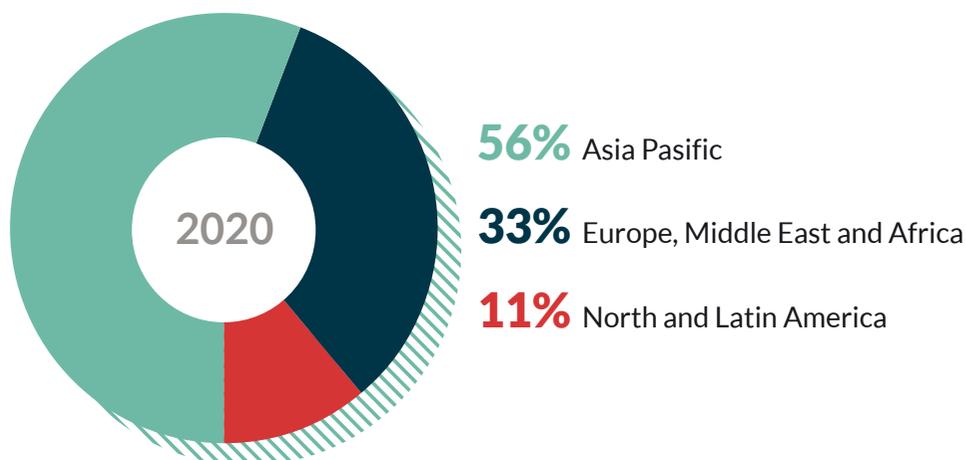
The origin of all revenue is in Belgium, as the invoicing entity is located in Belgium.

in EUR

| | Europe, Middle East and Africa | North and Latin America | Asia Pacific | Total |
|-----------------------------------|--------------------------------|-------------------------|--------------|-------------|
| Half year ended 30/06/2020 | | | | |
| Non-current assets | 162,124,519 | 1,724,729 | 8,623,645 | 172,472,892 |
| Half year ended 30/06/2019 | | | | |
| Non-current assets | 171,822,841 | 2,175,414 | 11,545,746 | 185,544,001 |
| Year ended 31/12/2019 | | | | |
| Non-current assets | 168,592,217 | 1,812,820 | 10,876,917 | 181,281,953 |

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

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



in EUR

| | Half year ended 30/06/2020 | Half year ended 30/06/2019 |
|---------------------------------------|----------------------------|----------------------------|
| Europe, Middle East and Africa | 77,877,829 | 96,743,117 |
| Germany | 32,045,180 | 42,592,773 |
| France | 5,120,564 | 5,617,208 |
| United Kingdom | 4,064,824 | 6,119,314 |
| Poland | 5,096,774 | 7,970,166 |
| Switzerland | 8,321,591 | 6,184,929 |
| Ireland | 292,030 | 1,900,079 |
| Czech Republic | 1,944,111 | 1,366,092 |
| Austria | 5,047,537 | 6,862,724 |
| Netherlands | 534,307 | 555,539 |
| Romania | 5,666,028 | 6,631,225 |
| Bulgaria | 1,337,149 | 2,096,238 |
| Spain | 870,442 | 991,090 |
| South Africa | - | 130,599 |
| Hungary | 1,418,945 | 1,369,598 |
| Italy | 3,082,913 | 3,487,464 |
| Other | 3,035,434 | 2,868,081 |
| North and Latin America | 25,887,948 | 33,095,663 |
| United States | 16,999,839 | 22,002,457 |
| Canada | 2,544,882 | 3,099,901 |
| Mexico | 6,323,027 | 7,941,596 |
| Brazil | 20,200 | 51,709 |
| Asia Pacific | 134,782,875 | 106,699,999 |
| Japan | 20,547,847 | 16,155,908 |
| China | 27,603,852 | 22,731,418 |
| Hong Kong | 20,533,108 | 12,517,486 |
| Thailand | 24,454,284 | 24,435,195 |
| South Korea | 14,566,806 | 12,045,360 |
| Philippines | 10,401,239 | 5,465,122 |
| Taiwan | 8,744,976 | 4,780,671 |
| India | 1,870,360 | 1,624,096 |
| Singapore | 5,263,185 | 6,447,497 |
| Other | 797,218 | 497,248 |
| TOTAL | 238,548,652 | 236,538,779 |

K. RELATED PARTIES

1. Shareholders' structure and identification of major related parties

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

| | |
|----------------------------------------------------------|---------------------|
| Melexis Inc. | US entity |
| Melexis GmbH | German entity |
| Melexis Bulgaria EOOD | Bulgarian entity |
| Melexis Ukraine | Ukrainian entity |
| Melexis Technologies SA | Swiss entity |
| Melexis NV/BO France | French branch |
| Sentron AG | Swiss entity |
| Melefin NV | Belgian entity |
| Melexis Technologies NV | Belgian entity |
| Melexis NV/BO Philippines | Philippine branch |
| K.K. Melexis Japan Technical Research Center | Japanese Entity |
| Melexis Electronic Technology (Shanghai) Co., Ltd | Chinese entity |
| Melexis (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 |

The shareholders of Melexis NV and related parties are as follows:

- Xtrion NV owns 53.58% of the outstanding Melexis shares. The shares of Xtrion NV are controlled directly and/or indirectly by Mr. Roland Duchâtelet, Mr. Rudi De Winter and Ms. Françoise Chombar. Mr. Duchâtelet and Ms. Chombar are directors at Melexis NV.
- Elex NV is 99.9% owned by Mr. Roland Duchâtelet. One share is held by Mr. Roderick Duchâtelet.
- Xtrion NV owns 48.4% 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 has been 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% of the outstanding shares of X-Celeprint Ltd.
- Xtrion NV owns 86% of the outstanding shares of X Display Company Technology Ltd.
- Xtrion NV owns 24% of the outstanding shares of Anvo-Systems Dresden GmbH.
- Elex NV owns 99.9% of the outstanding shares of Fremach International NV.

2. Outstanding balances on 30 June 2020

The following balances were outstanding:

Receivables

in EUR

| | Half year ended 30/06/2020 | Year ended 31/12/2019 |
|--------------|----------------------------|-----------------------|
| Elex NV | 1,033 | 2,033 |
| Xtrion NV | 4,840 | 4,840 |
| X-FAB Group | 80,099 | 114,617 |
| Xpeqt Group | 9,302 | 14,284 |
| Total | 95,274 | 135,774 |

Payables

in EUR

| | Half year ended 30/06/2020 | Year ended 31/12/2019 |
|---------------------------|----------------------------|-----------------------|
| Elex NV | 63,676 | 62 |
| Xtrion NV | 406,804 | 36,912 |
| X-FAB Group | 9,365,197 | 15,002,727 |
| Xpeqt Group | 267,126 | 694,525 |
| Anvo-Systems Dresden GmbH | (1,460) | (1,426) |
| Total | 10,101,343 | 15,732,800 |

3. Transactions during the year

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

Sales/purchases of goods and equipment

in EUR

| Sales to | Half year ended 30/06/2020 | Half year ended 30/06/2019 |
|-------------|----------------------------|----------------------------|
| Fremach | 17,788 | 10,965 |
| Xpeqt Group | 1,967 | 1,040 |

in EUR

| Purchases from | Half year ended 30/06/2020 | Half year ended 30/06/2019 |
|------------------------------------------|----------------------------|----------------------------|
| X-FAB Group (mainly wafers) | 94,074,309 | 81,128,472 |
| Xpeqt Group (mainly equipment and goods) | 963,428 | 2,957,988 |
| Xtrion NV (mainly IT infrastructure) | 81,488 | 94,664 |

Sales/purchases of services

in EUR

| Sales to | Half year ended 30/06/2020 | Half year ended 30/06/2019 |
|--------------------------------------------------|----------------------------|----------------------------|
| Elex NV | 10,080 | 10,080 |
| Xpeqt Group (infrastructure office building) | 45,428 | 66,063 |
| Xtrion NV (infrastructure office building) | 24,000 | 24,000 |
| X-FAB Group | 257,352 | 441,447 |
| Anvo-Systems Dresden GmbH (mainly test services) | 30,461 | 77,878 |

in EUR

| Purchases from | Half year ended 30/06/2020 | Half year ended 30/06/2019 |
|-------------------------------------------|----------------------------|----------------------------|
| Xtrion NV (mainly IT and related support) | 1,236,867 | 1,103,899 |
| Elex NV (mainly IT and related support) | 392,839 | 522,477 |
| X-Celeprint Ltd | 24,025 | - |
| Xpeqt Group | 1,267,819 | 1,650,371 |
| X-FAB Group | 2,515,706 | 2,646,574 |

The Board of Directors and the Audit Committee have reviewed and analyzed the major transactions and concluded these transactions are within the normal course of business and that there are sufficient elements to conclude that the remuneration is based on arm's length principles. As a result, there was no need to apply articles 523 and 524 of the Belgian Companies Code (articles 7:87, 7:96 and 7:97 of the Belgian Code on Companies and Associations) dealing with conflicts of interest between related parties.

L. COMMITMENTS & ESTIMATED LIABILITIES

Purchase commitments

The Group had purchase commitments for a total of EUR 13,458,427 on 30 June 2020.

M. LITIGATION

There are currently no litigations.

N. 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 financial derivative instruments to manage the foreign exchange risks.

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

(1) Credit risks

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

Specific measures to manage credit risks related to COVID-19 are disclosed in note 2.6.5 O.

(2) Interest rate risk

The Group does not use derivatives to manage interest rate risks of the outstanding bank debt.

The schedule of long-term debt repayments is disclosed in note 2.6.5 H.

(3) Liquidity risk

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

(4) Foreign exchange risk

The currency risk of the Group mainly 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 is taken up in note 2.6.5 B.

Fair value of financial assets and liabilities

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

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

The carrying amount of cash and cash equivalents and of bank overdrafts approximates their fair value due to the short-term maturity of these financial instruments.

The fair value of 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 30 June 2020 was minimal since their deviation from their respective fair values was not significant.

O. COVID-19

Status 17 August 2020

Melexis has been closely monitoring and responding to the COVID-19 outbreak around the world and this since January. More than ever, the health and safety of our people and our other stakeholders are our foremost concern. We have a Melexis COVID-19 taskforce in place which has been working intensely to plan for and react to the outbreak in a timely fashion. Specific measures – such as working from home, social distancing and business continuity planning – are implemented in all facilities worldwide.

Business and financial impact

Despite a solid start of the year, Melexis decided on **1 April 2020** to withdraw its full year 2020 outlook as the economic impact resulting from the COVID-19 pandemic could not be quantified at that moment. As a matter of prudence and in light of the extreme unpredictability of the situation at that time, the Board of Directors decided to propose to the annual shareholders' meeting to pay out over the result of 2019 a total dividend of 1.30 EUR gross per share, which was paid in October 2019 as interim dividend, meaning a final dividend would not be paid.

On **29 April 2020**, Melexis published its Q1 2020 results and was not able to provide a financial outlook for Q2 2020.

On **29 July 2020**, Melexis published its Q2/1H2020 results, stating in the business comment that despite the COVID-19 pandemic, it was able to post 1H2020 sales growth of 1% versus 1H2019. Supply and demand disruptions had been tackled in an efficient manner, and cost savings had been effectively implemented where possible.

With approximately 90% of its products sold in automotive, Melexis depends on the worldwide demand for vehicles. This demand has been significantly impacted in 2020 by COVID-19 and the accompanying measures, such as quarantine measures and cities put on lockdown. Melexis content growth in vehicles softened the negative impact of lower car sales in 1H2020.

In adjacent markets, there is no negative impact of COVID-19. On the contrary, part of Melexis products like temperature sensors are critical components to many of the

equipment to overcome the pandemic. The applications range from diagnostics, patient monitoring systems and respiratory devices to a variety of body thermometers. Increased traction in gaming applications, as a consequence of the globally increased consumer interest during lockdown, and spurred by the recent release of the next generation gaming GPUs, boosted the demand for our 1-coil fan drivers. In 1H2020, sales to adjacent markets represented 11% of total sales, a strong increase versus 1H2019.

COVID-19 adversely impacted the Melexis supply chain, for example by causing a delay in delivery of equipment, wafers, packaging services, etc. due to mitigation measures taken by governments and bottlenecks in production, transportation and customs activities. Supply chain and business contingency planning ensured that our manufacturing sites kept running under the best achievable circumstances. These disruptions in the supply chain, arisen due to COVID-19, have been resolved to a large extent. The remaining issues are often linked to products where demand is high.

Melexis implemented technical unemployment due to COVID-19 in several countries. This resulted in cost savings of approximately EUR 1.5 million. The impact of specific COVID-19 related costs (mainly supplies and services related to hygienic measures) was minor.

Balance sheet

On 30 June 2020, the cash position had increased to 57.6 million EUR and the outstanding bank debt was 62 million EUR, almost stable compared to end 2019. Unused committed credit lines were 107 million EUR. The inventory increased with 20 million EUR compared with end 2019, offset by a decrease in accounts receivable by 9 million EUR.

Following the outbreak of the COVID-19 pandemic, Melexis performed impairment testing in June 2020 under IAS 36. This exercise compared the discounted cash flow with the carrying amounts of the company's assets (sum of intangible and tangible assets and working capital,...). In this process, estimated future cash flows were discounted to their present values using discount rates reflecting the

current market assessment of the time value of money. Future cash flows were estimated based on management's most recent business planning forecasts, which take into account the estimated impact of COVID-19. Based on the various scenarios considered in this exercise there is sufficient headroom. No impairment is required and Melexis will continue to respect all covenants on its active loans.

Deferred tax asset

Based on the discounted cash flow analysis, as described in the paragraph above, there are no issues noticed in regard to the recoverability of the Deferred tax asset on our balance sheet.

Credit risk

Due to COVID-19, the credit control department increased their focus on 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.

Outlook

While customer sentiment and order behavior remain fragile and visibility remains poor, Melexis confirmed in its press release of 29 July 2020 that the second quarter marked the bottom and it could start looking forward to a path to recovery. In the third quarter of 2020, Melexis expects a sales growth of around 10% compared with the previous quarter, provided that the second COVID-19 wave will not trigger the same financial impact as experienced in the second quarter.



The consolidated interim financial statements were approved and authorized for issue by the Board of Directors on 17 August 2020 and were signed on its behalf by Françoise Chombar.

Françoise Chombar
Managing Director, Chief Executive Officer (CEO)

A handwritten signature in black ink, consisting of a stylized 'F' followed by a horizontal line.

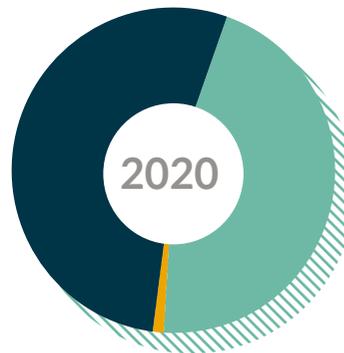
3 SHAREHOLDER INFORMATION

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

3.1 SHAREHOLDER STRUCTURE

Situation on 30 June 2020

| Company | Number of Shares | Participation Rate |
|-----------------|------------------|--------------------|
| Xtrion | 21,644,399 | 53.58% |
| Treasury Shares | 346,141 | 0.86% |
| Public | 18,409,460 | 45.57% |
| Total | 40,400,000 | 100.00% |



53.58% Xtrion

45.57% Public

0.86% Treasury shares

3.2 SHAREHOLDER CONTACT INFO

Investor Relations

Phone: +32 13 67 07 79

Rozendaalstraat 12, B-8900 Ieper, Belgium

www.melexis.com/en/investors

3.3 FINANCIAL CALENDAR 2020

Dividend pay date 22 October 2020 (ex coupon 20 October 2020)

Announcement of Q3 results 28 October 2020

Announcement of full-year results 3 February 2021

3.4 DIVIDEND

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:

2016: EUR 1.30 interim dividend and
EUR 0.70 final dividend

2017: EUR 1.30 interim dividend and
EUR 0.80 final dividend

2018: EUR 1.30 interim dividend and
EUR 0.90 final dividend

2019: EUR 1.30 interim dividend

2020: EUR 1.30 interim dividend

The Board of Directors decided to pay out an interim dividend of 1.30 EUR gross per share. The Melexis shares will start trading ex coupon on 20 October 2020 (opening of the market). The record date is 21 October 2020 (closing of the market) and the dividend will be payable as from 22 October 2020.



4

STATUTORY AUDITOR'S REVIEW OPINION
ON THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL
STATEMENTS OF MELEXIS NV
FOR THE SIX-MONTH PERIOD ENDING
30 JUNE 2020



To the Board of Directors
MELEXIS NV

Statutory auditor's report on review of consolidated condensed financial information for the period ended 30 June 2020

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Melexis NV and its subsidiaries as of 30 June 2020 and the related condensed consolidated interim statement of profit and loss and the condensed consolidated interim statement of comprehensive income, changes in equity and cash flows for the six-month period then ended, as well as the explanatory notes. The board of directors is responsible for the preparation and presentation of this condensed consolidated financial information in accordance with IAS 34, as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34, as adopted by the European Union.

Hasselt, 24 August 2020

PwC Bedrijfsrevisoren BV
Represented by

Sofie Van Grieken

Sofie Van Grieken
Bedrijfsrevisor

Koen Vanstraelen

Koen Vanstraelen
Bedrijfsrevisor

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BELFIUS BE92 0689 0408 8123 - BIC GKCC BEBB

Earnings per share

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

Earnings per share diluted

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

Revenue

Product sales + Revenues from Research and Development

EBIT (Earnings Before Interests and Taxes)

Turnover/sales – cost of sales – research and development expenses – general and administrative expenses – selling expenses – other operating expenses

EBITDA (Earnings Before Interests and Taxes + Depreciation, Amortization and impairment)

EBIT + depreciation, amortization and impairment.

Shareholders' equity

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

Net Indebtedness

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

Working capital

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

Net cash from operating activities

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

Capital expenditure

Investments in property, plant and equipment

ROE (Return On Equity)

Net income/shareholders' equity

Liquidity

Current assets/current liabilities

Solvency

Shareholders' equity/total assets

Tangible net worth

Total assets – liabilities – intangible assets

Melexis 

www.melexis.com