Melexis

INSPIRED ENGINEERING

HALF-YEAR REPORT **2021**

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1 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 30/06/2021	Half year ended 30/06/2020
Total sales	**314,735,209**	**238,548,652**
Cost of sales	(182,374,279)	(143,707,884)
Gross margin	**132,360,929**	**94,840,768**
Research and development expenses	(38,815,670)	(38,717,556)
General and administrative expenses	(15,505,470)	(14,980,771)
Selling expenses	(7,128,546)	(7,059,440)
Operating result (EBIT)	**70,911,243**	**34,083,002**
Financial result (net)	908,555	(495,627)
Result before taxes	**71,819,798**	**33,587,375**
Income taxes	(10,555,178)	(3,205,316)
Net result of the period	**61,264,620**	**30,382,059**
Net profit of the Group	61,264,620	30,382,059
Attributable to owners of the parent	61,264,620	30,382,059

Condensed consolidated interim statement of financial position

in EUR

	Half year ended 30/06/2021	Year ended 31/12/2020
Current assets	295,721,425	263,388,836
Non-current assets	169,591,546	170,023,489
Current liabilities	60,352,879	54,306,876
Non-current liabilities	34,077,074	64,329,300
Equity	370,883,018	314,776,149

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 314,735,209, an increase of 32% compared to the first half year of 2020. Sales to automotive customers represented 88% of sales in the first half of 2021. ASSP sales represented 71% of all sales.

The increase in sales is driven by strong demand and order intake. In the first half of 2021, the outperforming product lines were embedded lighting, temperature sensors and the magnetic sensors product family. Structurally, we continue to enjoy strong momentum of new products and content growth.

Cost of sales

Costs of sales consist of materials (raw material and semifinished parts), subcontracting, labor, depreciation and other direct production expenses. They increased from EUR 143,707,884 in the first half year of 2020 to EUR 182,374,279 in the first half year of 2021. Expressed as a percentage of sales, the cost of sales was 58% in the first half year of 2021, compared to 60% in the first half year of 2020.

Gross margin

The gross margin, expressed as a percentage of sales, increased from 40% in the first half year of 2020 to 42.1% in the first half year of 2021, mainly because of sales leverage.

Research and development expenses

Research and development expenses amounted to EUR 38,815,670 in the first half year of 2021, representing 12.3% 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 and advertising expenses. The general, administrative and selling expenses increased by 3% compared to the first half year of 2020, mainly as a result of increased sales.

Financial result

The net financial result increased from EUR 495,627 loss in the first half year of 2020 to EUR 908,555 gain in the first half year of 2021. The (net) interest result decreased from a loss of EUR 405,078 in the first half year of 2020 to a loss of EUR 282,559 in the first half year of 2021. The net exchange results (both realized and unrealized) in the first half year of 2021 amounted to a loss of EUR 1,765,316, compared to a loss of EUR 22,056 during the first half year of 2020. The fair value of our inflation swaps resulted in an unrealized financial gain of EUR 3,168,859 in the first half year of 2021.

Net income

There was an increase in net income from EUR 30,382,059 in the first half of 2020 to EUR 61,264,620 in the first half of 2021, mainly due to higher sales.

1.4 LIQUIDITY, WORKING CAPITAL AND CAPITAL RESOURCES

Cash and cash deposits amounted to EUR 58,966,541 as of 30 June 2021, in comparison to EUR 58,883,048 as of 31 December 2020.

In the first half year of 2021, operating cash flow before working capital changes amounted to EUR 100,169,292 compared to EUR 55,064,362 in the first half year of 2020. Net operating cash flow including working capital changes amounted to EUR 58,880,210, compared to EUR 31,273,980 in the first half year of 2020. The increase in net operating cash flow was mainly impacted by changes in inventories (note 2.6.5 M), accounts receivable, accounts payable and income tax paid (due to the increase in sales and net result).

The cash flow from investing activities was negative for an amount of EUR 18,163,385, mainly as a result of investments in fixed assets (mostly for our new Sofia building).
The cash flow from financing activities was negative for an amount of EUR 40,368,420, mainly driven by the payment of the final dividend as the cash flow generated from the sale of own shares was used for the partial repayment of the long-term debt.

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 2020.

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 S.

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 per 30 June 2021.

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.

2 UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.1 CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

in EUR

			Half year ended 30/06/2021	Year started 01/01/2021
ASSETS				
Current assets	Cash and cash equivalents	Note 2.6.5 A	58,966,541	58,883,048
	Current investments, derivatives	Note 2.6.5 B	3,168,859	244,971
	Accounts receivable - trade	Note 2.6.5 C	80,678,872	65,099,023
	Accounts receivable - related companies	Note 2.6.5 K	886,192	372,415
	Assets for current tax	Note 2.6.5 L	12,378,738	4,695,479
	Inventories	Note 2.6.5 M	128,537,166	123,457,242
	Other current assets	Note 2.6.5 D	11,105,058	10,636,656
Total current assets			**295,721,425**	**263,388,836**
Non-current assets	Deferred tax assets	Note 2.6.5 I	27,379,854	28,490,331
	Other non-current assets	Note 2.6.5 K	3,648,825	4,202,869
	Leased assets	Note 2.6.5 E	4,159,073	2,731,139
	Property, plant and equipment	Note 2.6.5 F	129,550,380	129,949,108
	Intangible assets		4,853,414	4,650,041
Total non-current assets			**169,591,546**	**170,023,489**
TOTAL ASSETS			**465,312,971**	**433,412,325**

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 30/06/2021	Year started 01/01/2021
LIABILITIES				
Current liabilities	Derivative financial instruments	Note 2.6.5 B	93,978	-
	Lease liabilities	Note 2.6.5 E	892,328	1,632,661
	Accounts payable - trade	Note 2.6.5 N	23,070,206	18,327,737
	Accounts payable - related companies	Note 2.6.5 K	15,342,106	15,759,006
	Accrued expenses, payroll and related taxes	Note 2.6.5 O	13,328,590	11,881,630
	Accrued taxes		828,048	473,355
	Other current liabilities	Note 2.6.5 G	4,109,999	3,433,130
	Deferred income		2,687,625	2,799,357
Total current liabilities			**60,352,879**	**54,306,876**
Non-current liabilities	Long-term debt less current portion	Note 2.6.5 H	30,000,000	62,000,000
	Lease liabilities	Note 2.6.5 E	3,866,445	2,122,166
	Deferred tax liabilities	Note 2.6.5 I	210,629	207,134
Total non-current liabilities			**34,077,074**	**64,329,300**
Shareholders' capital			564,814	564,814
Reserve treasury shares			-	(3,817,835)
Legal reserve			56,520	56,520
Retained earnings			375,805,411	324,085,148
Cumulative translation adjustment			(5,544,136)	(6,112,907)
Equity attributable to company owners			**370,882,608**	**314,775,740**
Non-controlling interest			410	410
Total equity			**370,883,018**	**314,776,149**
TOTAL LIABILITIES AND EQUITY			**465,312,971**	**433,412,325**

2.2 CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT AND LOSS

in EUR

	Half year ended 30/06/2021	Half year ended 30/06/2020
Total sales	**314,735,209**	**238,548,652**
Cost of sales	(182,374,279)	(143,707,884)
Gross margin	**132,360,929**	**94,840,768**
Research and development expenses	(38,815,670)	(38,717,556)
General and administrative expenses	(15,505,470)	(14,980,771)
Selling expenses	(7,128,546)	(7,059,440)
Result from operations (EBIT)	**70,911,243**	**34,083,002**
Financial income	3,697,471	2,645,551
Financial charges	(2,788,917)	(3,141,179)
Result before taxes	**71,819,798**	**33,587,375**
Income taxes	(10,555,178)	(3,205,316)
Net result of the period	**61,264,620**	**30,382,059**
Earnings per share non-diluted	1.52	0.75
Earnings per share diluted	1.52	0.75

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 30/06/2021	Half year ended 30/06/2020
Net result	61,264,620	30,382,059
Other comprehensive income		
Recyclable components		
Cumulative translation adjustment	568,771	(464,238)
Total other comprehensive income/(loss) for the period, net of related tax effects	**568,771**	**(464,238)**
Total comprehensive income/(loss) for the period	**61,833,391**	**29,917,820**
Total comprehensive income attributable to owners of the parent	**61,833,391**	**29,917,820**

2.4 CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

in EUR

	Number of shares	Share capital	Legal reserve	Retained earnings
31 December 2019	**40,400,000**	**564,814**	**56,520**	**306,855,934**
Net result	-	-	-	30,382,059
CTA movement	-	-	-	(81)
Hedge reserves	-	-	-	-
30 June 2020	**40,400,000**	**564,814**	**56,520**	**337,237,911**
Net result	-	-	-	38,917,253
CTA movement	-	-	-	-
Dividend	-	-	-	(52,070,017)
31 December 2020	**40,400,000**	**564,814**	**56,520**	**324,085,147**
Net result	-	-	-	61,264,620
CTA movement	-	-	-	-
Dividend	-	-	-	(36,360,000)
Sale own shares	-	-	-	30,633,479
30 June 2021	**40,400,000**	**564,814**	**56,520**	**379,623,246**

On 5 March 2021, Xtrion NV, Melexis NV and Melexis Technologies NV sold Melexis shares in a private placement. Xtrion NV sold a total of 1,444,398 existing shares, reducing its participation in Melexis from 53.6% to 50.0% + 1 share. Melexis and Melexis Technologies sold all treasury shares, a total of 346,141. The total impact on equity is an increase of EUR 30,633,479.

	Reserve treasury shares	CTA	Non- controlling interest	Total equity
31 December 2019	**(3,817,835)**	**(4,589,522)**	**410**	**299,070,320**
Net result	-	-	-	30,382,059
CTA movement	-	-	-	(81)
Hedge reserves	-	(464,238)	-	(464,238)
30 June 2020	**(3,817,835)**	**(5,053,760)**	**410**	**328,988,059**
Net result	-	-	-	38,917,253
CTA movement	-	(1,059,147)	-	(1,059,147)
Dividend	-	-	-	(52,070,017)
31 December 2020	**(3,817,835)**	**(6,112,907)**	**410**	**314,776,149**
Net result	-	-	-	61,264,620
CTA movement	-	568,771	-	568,771
Dividend	-	-	-	(36,360,000)
Sale own shares	-	-	-	30,633,479
30 June 2021	**(3,817,835)**	**(5,544,136)**	**410**	**370,883,018**

2.5 CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

in EUR (indirect method)

		Half year ended 30/06/2021	Half year ended 30/06/2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net result		61,264,620	30,382,059
Adjustments for operating activities:			
Deferred taxes	Note 2.6.5 I	1,110,477	(498,521)
Unrealized financial result		(1,338,044)	(3,387)
Accrued income tax		15,268,992	816,045
Government grants		351,133	397,325
Depreciations		22,193,231	23,069,739
Depreciations leased assets		862,836	955,668
Financial result		456,046	(54,566)
Operating cash flow before working capital changes		**100,169,292**	**55,064,362**
Accounts receivable, net		(15,569,751)	9,321,253
Other current assets		(8,509,416)	(4,235,708)
Other non-current assets		553,577	-
Due to related companies	Note 2.6.5 K	(416,900)	(5,631,458)
Due from related companies	Note 2.6.5 K	(513,777)	40,500
Accounts payable		4,727,641	1,011,608
Accrued expenses		1,446,960	1,079,910
Other current liabilities		661,300	109,881
Other non-current liabilities		(14,258)	224,723
Inventories		(8,662,911)	(22,939,746)
Interest paid		(77,247)	(265,546)
Income tax paid		(14,914,300)	(2,505,799)
Net cash from operating activities		**58,880,210**	**31,273,980**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	Note 2.6.5 F	(17,333,973)	(10,320,968)
Purchase of intangible assets		(1,078,419)	(1,134,432)
Interests received		4,007	49,733
Investments, proceeds from current investments		244,971	78,437
Net cash used in investing activities		**(18,163,414)**	**(11,327,230)**

Condensed consolidated interim statement of cash flow (continued)

CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment from long-term debts	Note 2.6.5 H	(32,013,406)	13,918
Repayment leasings		(1,286,824)	(954,238)
Impact of exchange results on financing items		(1,611,750)	(131,131)
Dividend payment		(36,360,000)	-
Sale of shares		30,633,560	-
Net cash used in financing activities		**(40,638,420)**	**(1,071,451)**
Effect of exchange rate changes on cash		5,117	(24,334)
(Decrease) increase in cash		83,492	18,850,966
Cash at the beginning of the period		58,883,048	38,771,524
Cash at the end of the period	Note 2.6.5 A	58,966,541	57,622,490

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 2021	Cash flows	Non-cash changes	30 June 2021
			Foreign exchange movements	
Long-term debt	62,000,000	(32,000,000)	-	30,000,000
Total debt	**62,000,000**	**(32,000,000)**	**-**	**30,000,000**

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) 1,452 people at the end of June in 2021 and 1,458 at the end of June in 2020.

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 16 August 2021 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 2020. Melexis has not applied early any new IFRS requirements that are not yet effective in 2021.

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 2020, 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 2021. The Group has not applied new IFRS requirements that are not yet effective as per 30 June 2021.

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2021 and have been endorsed by the European Union:

- **Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective 1 January 2021).** This amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective 1 January 2021).** These amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
- **Amendment to IFRS 16 Leases COVID-19-related Rent Concessions (effective 1 June 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 amendments have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2021 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 2023)**, 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.

- **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 pop effective date to annual reporting periods beginning on or after 1 January 2023. The endorsement includes the amendments issued by the Board in June 2020, which are aimed at helping companies implement the Standard and making it easier for them to explain their financial performance.
- **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 1 January 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 recognize 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 2018-2020** 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.
- **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).
- **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, 'Accounting Policies, Changes in Accounting Estimates and Errors', 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).
- **Amendments to IFRS 16 Leases: COVID-19-Related Rent Concessions (effective 1 April 2021).** 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 authorised for issue at the date the amendment is issued).

- **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.

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 2021.

2.6.4 Changes in Group's organization

There have been no changes in the group structure during 2021.

2.6.5 Notes

A. CASH AND CASH EQUIVALENTS

in EUR

	Half year ended 30/06/2021	Year ended 31/12/2020
Cash at bank and in hand	58,966,541	58,883,048
Total	**58,966,541**	**58,883,048**

B. DERIVATIVES

In principle, Melexis' current investments are classified as assets available for sale. On 30 June 2021, Melexis had no current investments in portfolio classified as assets available for sale. Melexis' financial derivatives with a positive market value are classified as assets at fair value through profit and loss. The fair value changes for derivatives where no hedge accounting is applicable are immediately recognized in the statement of comprehensive income. As of 30 June 2021, the fair value of the financial derivatives recognized as an asset under current investments amounted to EUR 3,168,859. On 30 June 2021, Melexis had no assets in portfolio classified as investments held to maturity.

Notional amounts

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

		Half year ended 30/06/2021	Year ended 31/12/2020
Outstanding FX hedge contracts, not exceeding 1 year	USD	50,000,000	55,000,000
Outstanding inflation hedge contracts, exceeding 1 year	EUR	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 30 June.

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 30/06/2021	Year ended 31/12/2020
Outstanding FX hedge contracts - level 2	-	244,971
Outstanding inflation swaps - level 2	3,168,859	-
Total, classified under current investment	**3,168,859**	**244,971**

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 30/06/2021	Year ended 31/12/2020
Outstanding FX hedge contracts - level 2	93,978	-
Total, classified under derivative financial instruments	**93,978**	**-**

As of 30 June 2021, 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

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

	Half year ended 30/06/2021	Year ended 31/12/2020
Trade accounts receivables	80,893,120	65,313,272
Allowance for doubtful accounts	(214,248)	(214,248)
Total	**80,678,872**	**65,099,023**

As of 30 June 2021, trade receivables of EUR 4,539,011 were past due.

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

in EUR

	Half year ended 30/06/2021	Year ended 31/12/2020
Not due	76,354,109	61,313,256
<30 days	3,664,927	3,557,352
>30 <60 days	618,882	517,564
>60 days	40,954	(289,149)
Total	**80,678,872**	**65,099,023**

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 2021	Allowance for doubtful accounts	No allowance for doubtful accounts	Total receivables
Not due	-	76,354,109	76,354,109
<30 days	-	3,664,927	3,664,927
>30 <60 days	-	618,882	618,882
>60 days	(214,248)	255,203	40,954
Total	**(214,248)**	**80,893,120**	**80,678,872**

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. For more information on the expected credit loss assessment, please refer to note 2.6.5 S.

D. OTHER CURRENT ASSETS

in EUR

	Half year ended 30/06/2021	Year ended 31/12/2020
Other receivables	6,205,501	7,432,262
Prepaid expenses	4,899,556	3,204,395
Total	**11,105,058**	**10,636,656**

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.

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 2021	Land and building	Furniture and vehicles	Total
Leased assets			
Balance year ended 31 December 2020	5,966,029	362,327	6,328,356
Additions of the year	2,016,554	291,025	2,307,579
Retirements (-)	-	(265,265)	(265,265)
CTA	49,618	-	49,618
End of the period	**8,032,201**	**388,087**	**8,420,288**
Accumulated depreciation			
Balance year ended 31 December 2020	3,444,468	152,749	3,597,217
Additions of the period	804,558	82,023	886,581
Retirements (-)	-	(265,265)	(265,265)
CTA	41,683	-	41,683
End of the period	**4,290,530**	**(29,314)**	**4,261,216**
NET BOOK VALUE	**3,741,671**	**417,401**	**4,159,073**

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

in EUR

30 June 2021	Current liabilities	Non-current liabilities	Total
Beginning of the period	1,632,661	2,122,166	3,754,827
End of the period	**892,328**	**3,866,445**	**4,758,773**

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

in EUR

30 June 2021	Land and building	Furniture and vehicles	Total
< 1 year	93,608	11,617	105,225
> 1 year < 5 years	4,256,149	397,399	4,653,548
TOTAL	**4,349,758**	**409,015**	**4,758,773**

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

30 June 2021	Total
Depreciation charges leased buildings	802,065
Depreciation charges leased vehicles	60,771
Interest expense (included in finance cost)	18,187
Expenses related to short-term leases or low-value assets (included in admin expenses)	374,464

F. PROPERTY, PLANT AND EQUIPMENT

in EUR

	Land & buildings	Machinery & equipment	Furniture & vehicles	Fixed assets under construction	Total
Cost:					
Balance year ended 31 December 2020	57,413,663	327,215,368	21,530,377	21,000,870	427,160,278
Additions of the year	109,491	3,315,858	1,791,120	12,169,371	17,385,840
Retirements (-)	-	(474,274)	(613,236)	-	(1,087,509)
Transfers	8,963	4,836,205	44,017	(4,889,185)	-
CTA	9,693	191,337	19,835	885	221,751
Total half year ended 30 June 2021	**57,541,810**	**335,084,494**	**22,772,113**	**28,281,941**	**443,680,360**
Accumulated depreciation:					
Balance year ended 31 December 2020	22,183,832	259,010,579	16,016,760	-	297,211,171
Additions of the year	1,105,195	15,153,822	1,414,904	-	17,673,921
Retirements (-)	-	(296,563)	(548,894)	-	(845,457)
CTA	(14,471)	110,404	(5,587)	-	90,346
Total half year ended 30 June 2021	**23,274,557**	**273,978,241**	**16,877,181**	**-**	**314,129,979**
Carrying amount half year ended 30 June 2021	**34,267,252**	**61,106,252**	**5,894,932**	**28,281,943**	**129,550,380**
Carrying amount year ended 31 December 2020	**35,229,831**	**68,204,789**	**5,513,617**	**21,000,870**	**129,949,108**

Additions of the year mainly relate to test equipment and infrastructure under construction (mostly our new Sofia building).

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

There are currently no restrictions in title for any of our property, plant and equipment or PPE assets nor are they pledged as security for liabilities. The purchase commitments related to PPE assets are disclosed in note 2.6.5 P.

G. 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

	Half year ended 30/06/2021	Year ended 31/12/2020
Accrued real estate withholding tax	211,500	125,000
Accrued financial services	527,149	537,809
Accrued design services	1,636,888	857,174
Accrued management services	44,335	327,865
Accrued HR services	495,662	167,437
Accrued insurances	243,188	147,122
Accrued licenses and royalties	199,000	264,000
Other	614,325	1,006,723
Total	**4,109,999**	**3,433,130**

H. LONG- AND SHORT-TERM DEBT

in EUR

	Half year ended 30/06/2021	Year ended 31/12/2020
Unsecured loans		
Unsecured loan (in EUR) at floating interest rate, maturing in 2028	30,000,000	37,000,000
Unsecured loan (in EUR) at floating interest rate, maturing in 2028	-	15,000,000
Unsecured loan (in EUR) at floating interest rate, maturing in 2028	-	10,000,000
Total debt	**30,000,000**	**62,000,000**
Long-term portion of debt	**30,000,000**	**62,000,000**

As per 30 June 2021 and for Melexis consolidated, there are engagements for the following financial covenants:

For Melexis NV:

- Net debt/EBITDA ratio ≤ 3.5
- Tangible net worth/total assets ≥ 30%

As per 30 June 2021, Melexis is respecting all its financial covenants and expects that this will remain the case in the future. There are no major differences between the fair value and carrying amount of the debt, since the interest payable on those borrowings is close to current market rates. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs.

I. COMPONENTS OF DEFERRED TAX ASSETS AND LIABILITIES

Components of deferred tax assets are as follows:

in EUR

	1 January 2021	Charged to income statement	Charged to equity	30 June 2021
Amortization and depreciation of intangible assets, property, plant and equipment	26,467,000	(190,000)	-	26,277,000
Fair value adjustments financial instruments	(61,243)	(707,477)	-	(768,720)
Tax losses carried forward	1,656,000	(213,000)	-	1,443,000
Other	428,574	-	-	428,574
Total	**28,490,331**	**(1,110,477)**	**-**	**27,379,854**

Components of deferred tax liabilities are as follows:

in EUR

	1 January 2021	Charged to income statement	Charged to equity	30 June 2021
Other	207,134	3,495	-	210,629
Total	**207,134**	**3,495**	**-**	**210,629**

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.

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 30/06/2021	Half year ended 30/06/2020	Year ended 31/12/2020
Customer A	14	16	13
Customer B	6	5	6
Customer C	6	5	6
Customer D	6	5	5
Customer E	4	4	4
Customer F	2	2	2
Customer G	2	2	2
Customer H	2	2	2
Customer I	2	2	2
Customer J	2	2	2
Total	**45**	**45**	**44**

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).

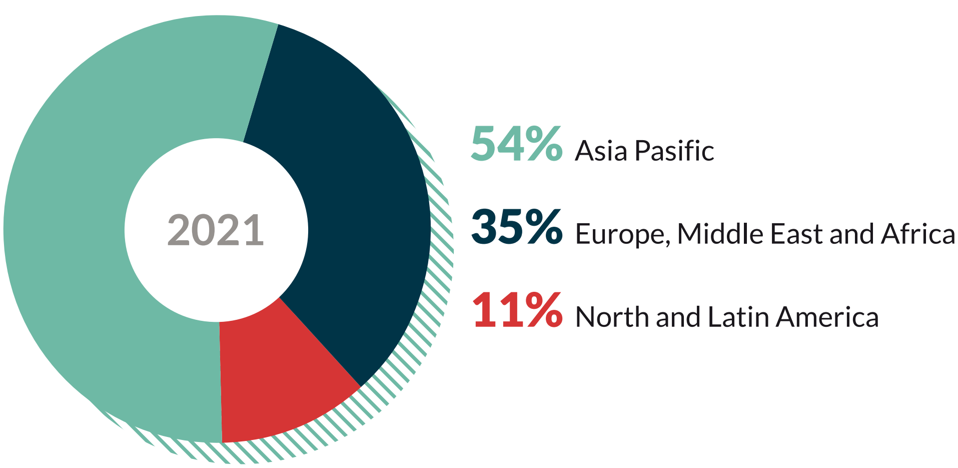
The origin of all revenue is in Belgium, as the invoicing entity is located in Belgium.

in EUR

	Europe, Middle East and Africa	North and Latin America	Asia Pacific	Total
Half year ended 30/06/2021				
Non-current assets	162,807,884	1,695,915	5,087,746	169,591,546
Half year ended 30/06/2020				
Non-current assets	162,124,519	1,724,729	8,623,645	172,472,892
Year ended 31/12/2020				
Non-current assets	158,121,844	3,400,470	8,501,174	170,023,489

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 30/06/2021	Half year ended 30/06/2020
Europe, Middle East and Africa	**111,242,648**	**77,877,829**
Germany	45,988,108	32,045,180
France	8,210,727	5,120,564
United Kingdom	4,495,175	4,064,824
Poland	6,942,481	5,096,774
Switzerland	9,471,912	8,321,591
Serbia	1,162,055	-
Czech Republic	3,290,411	1,944,111
Austria	5,613,714	5,047,537
Netherlands	176,433	534,307
Romania	8,135,474	5,666,028
Bulgaria	2,483,171	1,337,149
Spain	1,014,517	870,442
Lithuania	2,716,509	-
Hungary	2,686,880	1,418,945
Italy	4,637,323	3,082,913
Other	4,217,758	3,327,464
North and Latin America	**34,126,278**	**25,887,948**
United States	21,141,991	16,999,839
Canada	2,734,765	2,544,882
Mexico	10,215,195	6,323,027
Brazil	34,327	20,200
Asia Pacific	**169,366,283**	**134,782,875**
Japan	20,057,596	20,547,847
China	37,573,832	27,603,852
Hong Kong	29,045,212	20,533,108
Thailand	28,109,928	24,454,284
South Korea	16,658,355	14,566,806
Philippines	11,094,837	10,401,239
Taiwan	13,571,445	8,744,976
India	2,998,443	1,870,360
Singapore	9,720,438	5,263,185
Other	536,196	797,218
TOTAL	**314,735,209**	**238,548,652**

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 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.
- 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 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% of the outstanding shares of X-CelePrint Ltd.
- Xtrion NV owns 70.6% 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 2021

The following balances were outstanding:

Receivables

in EUR

	Half year ended 30/06/2021	Year ended 31/12/2020
Elex NV	4,066	2,033
Xtrion NV	9,680	-
Fremach Group	2,840	2,643
X-FAB Group	859,550	356,313
Xpeqt Group	10,056	11,426
Total	**886,192**	**372,415**

Payables

in EUR

	Half year ended 30/06/2021	Year ended 31/12/2020
Elex NV	90,384	92,107
Xtrion NV	69,161	28,658
X-FAB Group	14,720,843	14,848,994
Xpeqt Group	462,565	789,778
Anvo-Systems Dresden GmbH	(847)	(531)
Total	**15,342,106**	**15,759,006**

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

in EUR

		Half year ended 30/06/2021	Year ended 31/12/2020
From	X-FAB Group	3,652,930	4,199,930
	Total	**3,652,930**	**4,199,930**

The long-term receivable from the X-FAB Group is related to a pre-financing agreement for specialized equipment purchased and owned by X-FAB.

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 30/06/2021	Half year ended 30/06/2020
Fremach Group (mainly integrated circuits or ICs)	13,608	17,788
Xpeqt Group	-	1,967
X-FAB Group (mainly test & assembly services)	7,666	-

in EUR

Purchases from	Half year ended 30/06/2021	Half year ended 30/06/2020
X-FAB Group (mainly wafers)	112,215,713	94,074,309
Xpeqt Group (mainly equipment and goods)	1,535,293	963,428
Xtrion NV (mainly IT infrastructure)	48,892	81,488

Sales/purchases of services

in EUR

Sales to	Half year ended 30/06/2021	Half year ended 30/06/2020
Elex NV	10,080	10,080
Xpeqt Group (infrastructure office building)	49,761	45,428
Xtrion NV (infrastructure office building)	67,445	24,000
X-FAB Group	220,822	257,352
Anvo-Systems Dresden GmbH (mainly test services)	56,831	30,461

in EUR

Purchases from	Half year ended 30/06/2021	Half year ended 30/06/2020
Xtrion NV (mainly IT and related support)	1,131,302	1,236,867
Elex NV (mainly IT and related support)	474,434	392,839
X-Celeprint Ltd	12,000	24,025
Xpeqt Group	1,370,394	1,267,819
X-FAB Group	1,545,287	2,515,706

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 7:87, 7:96 and 7:97 of the Belgian Code on Companies and Associations dealing with conflicts of interest between related parties.

L. ASSETS FOR CURRENT TAX

The most important component of the current tax assets is the overpayment of Belgian taxes for financial year 2021 amounting to EUR 8.4 million.

M. INVENTORIES

In the first half year of 2021, inventories increased from EUR 123,457,242 to EUR 128,537,166, an increase of 4% compared to December 2020 but still 13% below the inventory level of June 2020.

N. ACCOUNTS PAYABLE

In the first half year of 2021, trade accounts payables increased from EUR 18,327,737 to EUR 23.070.206, an increase of 26% compared to December 2020 due to the sales growth.

O. ACCRUED EXPENSES

In the first half year of 2021, accrued expenses increased from EUR 11,881,630 to EUR 13,328,590, an increase of 12% compared to December 2020 due to the sales growth.

P. COMMITMENTS & ESTIMATED LIABILITIES

Purchase commitments

The Group had purchase commitments for a total of EUR 11,440,269 on 30 June 2021.

Q. LITIGATION

There are currently no litigations.

R. 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 risk.

Risk management policies have been defined on Group level, and are carried out by the local companies of the Group. COVID-19 had no impact on the existing risk management procedures.

(1) Credit risks

Credit 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. The Group has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics. For more information on the impact of COVID-19 on credit risk, please refer to note 2.6.5 S.

(2) Interest rate risk

On 30 June 2021, the Group does not use derivatives to manage interest rate risks of the outstanding bank debt.

(3) 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.

(4) Foreign exchange risk

The currency risk of the Group occurs due to the fact that the Group operates and has sales in USD. The Group uses derivative contracts to manage foreign exchange risk. The table with outstanding derivatives per 30 June is taken up in note 2.6.5 B.

(5) 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 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 2021 was minimal since their deviation from their respective fair values was not significant.

S. COVID-19

Status on 16 August 2021

Melexis has been closely monitoring and responding to the COVID-19 outbreak around the world and this since January 2020. 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

COVID-19 remains a risk for 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 ensures that our manufacturing sites keep running under the best achievable circumstances.

After announcing on 29 July 2020 that the second quarter of 2020 marked the bottom in terms of COVID-19 impact, the end of 2020 marked a turning point for Melexis. Despite the numerous challenges that COVID-19 had posed, out of adversity came opportunity: next to catering to our valued automotive customers as always, Melexis also tapped into other applications that had gained momentum with the COVID-19 outbreak.

In the first quarter of 2021, Melexis posted a sequential sales growth of 6%, continuing on its growth path. In the second quarter, we posted yet another sales record, with a sequential sales growth of 2%.

Balance sheet

On 30 June 2021, the cash position had increased to 59 million EUR and the outstanding bank debt was 30 million EUR, a decrease of 52% compared to end 2020. Unused committed credit lines were 120.6 million EUR. The inventory increased with 5 million EUR compared to the end of 2020.

Based on our strong results and cash flow position in the first half of 2021, and also expected for the full year, no impairment was deemed required. Melexis will continue to respect all covenants on its active loans.

Deferred tax asset

Given our full-year guidance and in line with the above-mentioned redundancy of impairment, there are no issues noticed in regard to the recoverability of the Deferred tax asset on our balance sheet.

Expected credit losses

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.

The amount of credit losses written off in our consolidated statement of financial position is negligible (less than EUR 220,000). An analysis of the expected credit losses booked in the current financial year is made on a yearly basis. This analysis does not show any material impact of the COVID-19 pandemic on expected credit losses.

Furthermore, we did not see any impact on our customers' payment behavior that could lead to customer credit losses in the future. As a result, no provisions for future credit losses were foreseen. We will continue to monitor this in the future and accruals will be taken if material expected customer credit losses appear.

Outstanding receivables

There is no impact of the COVID-19 pandemic on our outstanding receivables. On the contrary, the percentage of receivables outstanding for more than 30 days is lower than in previous years. We have increased our focus on outstanding receivables in light of the COVID-19 situation. Our proactive follow-up on the outstanding receivables and our actions taken to get receivables paid according to agreed terms resulted in no visible impact of the COVID-19 pandemic on our outstanding receivables.

Inventories

There has been no impact of the COVID-19 pandemic on our inventories.

Outlook

Melexis expects sales in the third quarter of 2021 in the range of 158-163 million euro. For the full year 2021, Melexis expects a sales growth between 24% and 27%, with a gross profit margin of around 42% and an operating margin of around 22% at the midpoint of the sales guidance, all taking into account a EUR/USD exchange rate of 1.18 for the remainder of the year.

T. CLIMATE CHANGE

The world needs to continue the fight against climate change and seek solutions for both CO_2 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 CO_2 footprint. The production of wafers for instance is very 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.

Environmental diligence is an integral part of Melexis' policy and values. We strive to engineer a sustainable future by planning for continuous improvement of carbon footprint (CO_2 emission) and by strictly banning forbidden substances for our products. Our environmental strategy is based on compliance with legislations and relevant standards (ISO 14001).

With a keen eye on reducing our ecological impact, our sites are actively analyzing environmental opportunities. By replacing its end-of-life and energy-gobbling old testing equipment with more efficient ones, Erfurt reduced its power consumption in production from 5 GW to 4.1 GW in 2019. In 2020, our sites in Ieper and Bevaix installed charge points for electric vehicles, fitting in nicely with our strategic mobility plans. Furthermore, the use of new chillers in the current Sofia building's air conditioning helped save a projected 1 GW in electricity consumption.

Once our brand-new building in Sofia becomes fully operational, it is to be expected that it will positively impact our environmental performance data even further. The new 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.

U. BREXIT

As soon as the United Kingdom voted in favor of leaving the European Union, Melexis established a multidisciplinary Brexit readiness project team to follow up on any possible impact Brexit could have on our business model and business continuity. Since 2018, the UK and EU had been conducting formal negotiations regarding the Brexit modalities and its deadlines. This transition period - with several deadlines having been postponed - provided ample time for Melexis to assess the Brexit impact and risks on our customers, supply chains and internal automation processes (such as our ERP system).

Even though Melexis only works with a limited number of UK customers and suppliers, we made sure to defuse any issues that could arise and have communicated about possible risk and their solutions with all stakeholders involved.

The consolidated interim financial statements were approved and authorized for issue by the Board of Directors on 16 August 2021 and were signed on its behalf by Marc Biron.

Marc Biron
Managing Director, Chief Executive Officer (CEO)

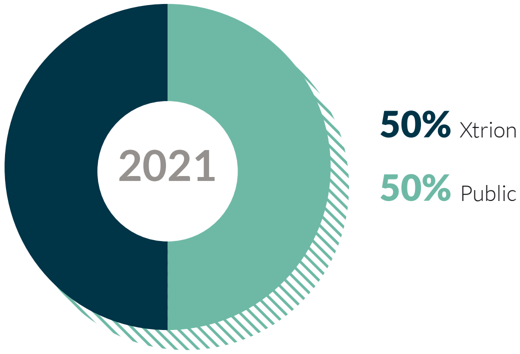
3 SHAREHOLDER INFORMATION

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

3.1 SHAREHOLDER STRUCTURE

Situation on 30 June 2021

Company	Number of Shares	Participation Rate
Xtrion	20,200,001	50% + 1 share
Public	20,199,999	50%
Total	40,400,000	100%



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 2021

Dividend pay date
21 October 2021 (ex coupon 19 October 2021)

Announcement of Q3 results
27 October 2021

Announcement of full-year results
2 February 2022

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:

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

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 19 October 2021 (opening of the market). The record date is 20 October 2021 (closing of the market) and the dividend will be payable as from 21 October 2021.

4 STATUTORY AUDITOR’S REVIEW OPINION ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF MELEXIS NV FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2021

To the Board of Directors
MELEXIS NV

Statutory auditor's report on review of consolidated condensed financial information for the period ended 30 June 2021

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Melexis NV and its subsidiaries as of 30 June 2021 and the related condensed consolidated interim statement of profit and loss, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flow 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 2021

The statutory auditor
PwC Bedrijfsrevisoren BV
represented by

Sofie Van Grieken — Koen Vanstraelen

Sofie Van Grieken
Bedrijfsrevisor

Koen Vanstraelen
Bedrijfsrevisor

PwC Bedrijfsrevisoren BV - PwC Reviseurs d'Entreprises SRL - Financial Assurance Services
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5 GLOSSARY

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

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

Revenue
Product sales + Revenues from Research and Development

EBIT (Earnings Before Interests and Taxes)
Turnover/sales – cost of sales – research and development expenses – general and administrative expenses – selling expenses – other operating expenses

EBITDA (Earnings Before Interests and Taxes + Depreciation, Amortization and impairment)
EBIT + depreciation, amortization and impairment.

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

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

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

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

Capital expenditure
Investments in property, plant and equipment

ROE (Return On Equity)
Net income/shareholders' equity

Liquidity
Current assets/current liabilities

Solvency
Shareholders' equity/total assets

Tangible net worth
Total assets – liabilities – intangible assets

Melexis

www.melexis.com