ANNUAL REPORT **2023**

Melexis

INNOVATION WITH HEART

ON THE COVER: INNOVATION WITH HEART
Our ideas and our microelectronic solutions shape the future. We strive for the well-being of everyone, by creating a safer, more comfortable and greener world. That's what inspires us. That's what we call innovation with heart.

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1 LETTER TO OUR SHAREHOLDERS

“We embrace the change and capture the opportunities”

Dear shareholders,

2023 was another successful year for Melexis. The automotive sector moved towards a more balanced supply and demand and we made great strides in electrification, comfort and safety.

Today, we are witnessing a transformation in the global automotive industry. While European carmakers are adapting to the electrification trend, Asia is emerging as a dominant force, with high production and sales volumes, fueled by a growing middle class. Adapting to the expectations of Asian customers, who prioritize speed, cost efficient solutions and specific product requirements, is crucial. In order to do this, we are already actively building strong connections in Asia. The inauguration of our new facility in Malaysia in the summer of 2024 will give us extra impact in the entire region.

I would like to commend our colleagues in Kyiv for their outstanding work in very difficult conditions. They delivered a major project for a key customer with excellence. In 2024, they are working on another very important project for another key customer with impressive commitment. We are immensely proud of our people in Ukraine for their resilience and motivation. They inspire us all at Melexis.

Embrace the change and capture the opportunities

During our Capital Markets Day in November, we presented our new strategy and long-term financial targets. The automotive industry is our main market, with 90% of our revenue from chip sales to carmakers. Electrification, premiumization and ADAS in new EV platforms lead to an ever-increasing number of chips per car. Our current focus is spread over five domains which are related to these trends and offer significant market growth: electrification of the powertrain, thermal management, lighting, e-brake, e-steering and battery. Our goal is to achieve a 10% compound annual growth in the automotive domain until 2030.

We are developing specific products to expand our presence in the emerging markets of sustainable world, alternative mobility, robotics, and digital health. These four areas headed under the 'beyond automotive' category make up 10% of our turnover. We selected these domains because we anticipate that they will grow significantly in the coming years thanks to trends like aging, population growth and electrification. We aim for a 15% or higher annual sales growth in these areas between now and 2030. Innovation and product development at a fast pace are essential for us to stay relevant in the next decade. Together, we are welcoming change and pursuing opportunities.

As the CEO of Melexis, my responsibility is to prepare Melexis for the future and adapt to change. It is my role within the company to enable my teams to perform at their best. I believe in clarifying the purpose of our actions and empowering the team to choose their methods, which fosters self-motivation. By creating this entrepreneurial mindset, we are boosting innovation and forward thinking. As enabler for productive and successful innovation, diversity in all the teams and departments of the company is also a key element that I want to strengthen in the next years.

If we want to continue riding the crest of the wave, we need to invest in both 'automotive' and 'beyond automotive'. The strategy has been set, the execution has been launched.

Sustainability in all its facets

Sustainability is at the core of all our strategic decisions. One of our key contributions to a more sustainable world is our wide product range that supports vehicle electrification. This helps lowering CO2 emissions.

In terms of our emissions as a company, since 2021 we have been reporting on Scope 1 (direct emissions from energy and heat) and Scope 2 (indirect emissions from purchased electricity, heat, steam or cooling). In 2023, we voluntarily decided to take another step in assessing our total carbon footprint and started measuring our Scope 3 emissions (indirect emissions from our value chain). This will allow us to further define our environmental strategy.

Sustainability and Environment Social Governance (ESG) go beyond the climate and nature. One example on the social side is that we keep promoting a gender-diverse and multicultural workforce, resulting today in no less than 56 nationalities. Having such a diverse workforce enriches our discussions and perspectives and is a key factor for the strength and success of Melexis.

To support Melexis and the Executive Management in steering our ESG strategy and in defining priorities, an ESG committee has been established at the Board of Directors' level. Furthermore, to ensure continuous and aligned progress in our ESG journey, a dedicated cross-functional ESG team is working on the identified goals and projects.

In 2023, we took a pulse check with our entire workforce through an employee listening survey. This comprehensive internal assessment delved into their motives and motivations. We were delighted to see that 'innovation', 'sustainability' and 'people' scored the highest. This aligns perfectly with the vision of management and the Board of Directors.

Financial performance

Sales for the full year 2023 were 964.3 million EUR, an increase of 15% compared to the previous year. Electrification and the growing need for comfort and safety applications were once again the driving forces behind these results. The outperforming product lines of 2023 were current sensors, embedded motor drivers and pressure sensors. The magnetic position sensors product line continued to thrive in absolute numbers as well.

For the full year 2024, we expect sales to be around 1 billion euro, with a gross profit margin above 44% and an operating margin above 25%. Backed by another solid design win performance in 2023, we look forward to a promising future.

The Board of Directors approved to propose to the annual shareholders' meeting a total dividend of EUR 3.70 gross per share over the result of 2023, a 6% increase compared with 2022 and a 4% gross dividend yield compared with the share price at year's end 2023.

Looking ahead

With the clear definition of 'automotive' and 'beyond automotive', we have launched a two-pronged strategy that should ensure Melexis's success for the medium-term future. We are ready to face new challenges that may emerge. It is crucial that we stay close to our customers in all our operational activities and understand the needs of society. We are flexible, proactive and effective, delivering fast and innovative technological solutions. We have also launched initiatives to adapt our culture toward even more entrepreneurship, autonomy and effective decision making. By combining this with the development of disruptive technological solutions and recruiting talented people, I am more than confident about the future.

Thank you for trusting and supporting our vision and strategy. I look forward to sharing our achievements with you.

Yours sincerely,

Marc Biron

On behalf of the entire Melexis team

2 WHO WE ARE

Melexis is a limited liability company headquartered in Ieper, Belgium, and incorporated under Belgian law. Melexis designs, develops, and delivers edge sensor and driver solutions with a heart for people and planet.

We sell our products to a wide customer base in Europe, Asia and North America. This introductory chapter provides an organizational profile of Melexis.

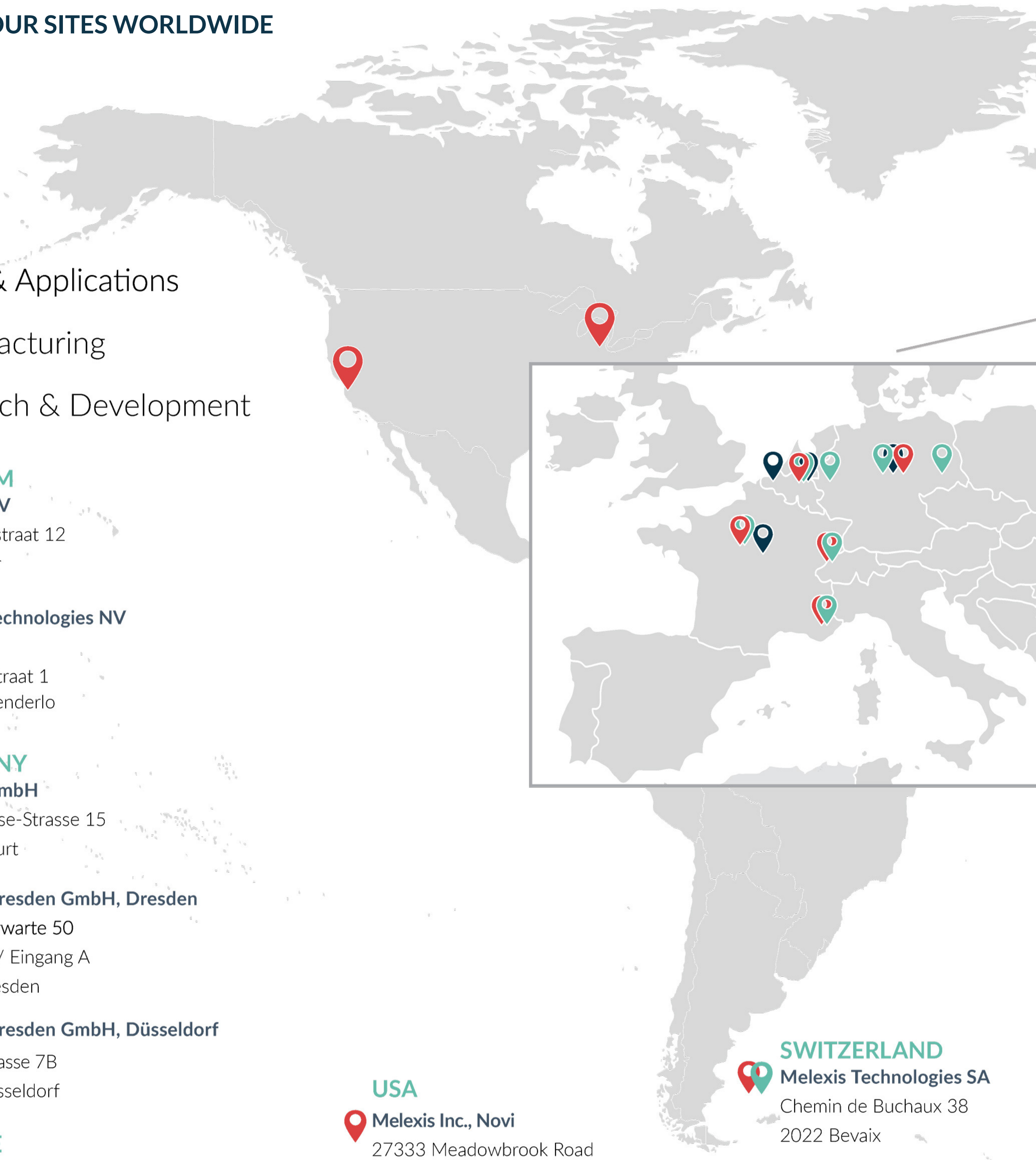
2.1 WE ENGINEER THE BEST IMAGINABLE FUTURE

Melexis is a global supplier of microelectronic semiconductor solutions. Our company represents engineering that enables the best imaginable future - a future that is safe, comfortable and sustainable. Because we care. We care about our planet, about our customers and about our colleagues. All of these aspects are reflected in the multitude of applications that our technology empowers.

CELEBRATING MELEXIS' INCLUSION IN THE BEL20, THE BELGIAN BENCHMARK STOCK MARKET

In March 2023, we celebrated Melexis're-entry in the BEL20, the most important stock market index in Belgium, containing 20 shares selected by Euronext.
"We are proud of this important moment and are grateful for all the fabulous people at Melexis who are behind this success!", concludes Chairwoman Françoise Chombar.

2.2 OUR SITES WORLDWIDE



Sales & Applications

Manufacturing

Research & Development

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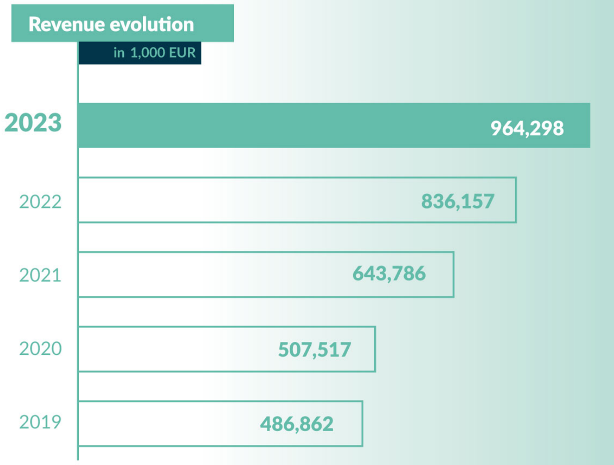
2.3 OUR KEY FIGURES

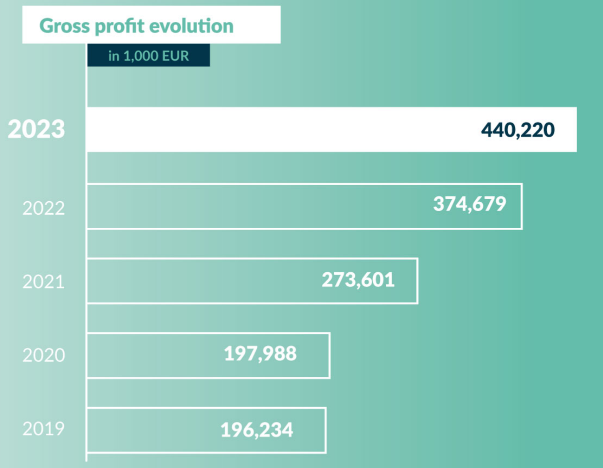
in 1,000 EUR

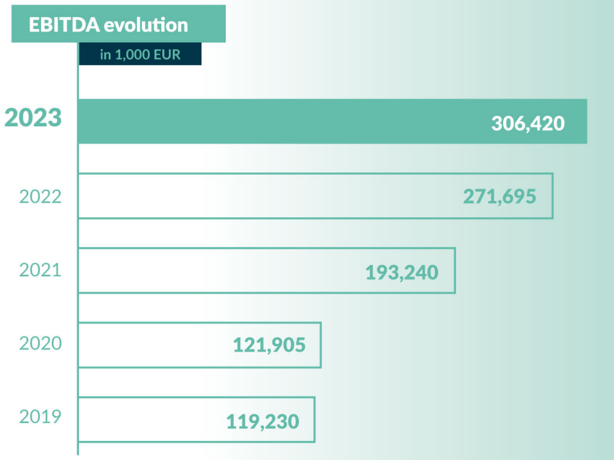
Operating results	2019	2020	2021	2022	2023
Revenue	486,862	507,517	643,786	836,157	964,298
Gross profit	196,234	197,988	273,601	374,679	440,220
EBIT	70,626	75,534	148,448	226,528	261,250
EBITDA	119,230	121,905	193,240	271,695	306,420
Net income	60,255	69,299	131,108	197,153	209,463
Balance structure	**2019**	**2020**	**2021**	**2022**	**2023**
Shareholders' equity	299,070	314,776	389,056	482,083	551,067
Net indebtedness[1]	23,150	6,627	(40,680)	(93,332)	148,826
Working capital	146,127	151,587	179,062	223,785	285,414
Cash flow and capital expenditure	**2019**	**2020**	**2021**	**2022**	**2023**
Net cash from operating activities	94,400	95,761	142,232	187,837	3,011
Depreciation + amortization	48,604	46,372	44,792	45,167	45,169
Capital expenditure	26,632	24,835	39,088	39,884	94,790
Ratios	**2019**	**2020**	**2021**	**2022**	**2023**
ROE	20 %	22 %	34 %	41 %	38 %
Liquidity	4.4	4.9	4.2	4.6	3.6
Solvency	71 %	73 %	84 %	83 %	64 %

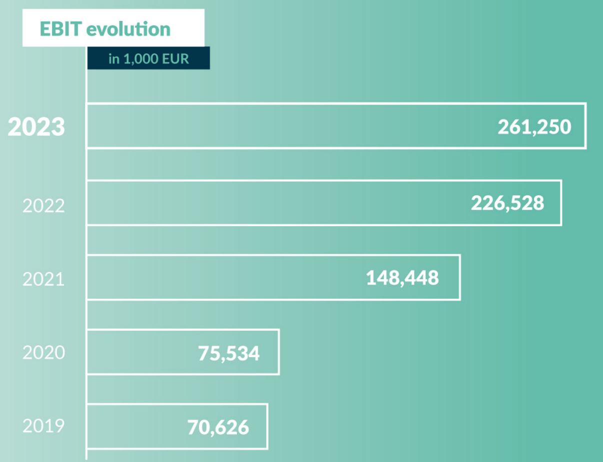
We refer to chapter 11 (Glossary) for more information on the underlying calculations of these key figures.

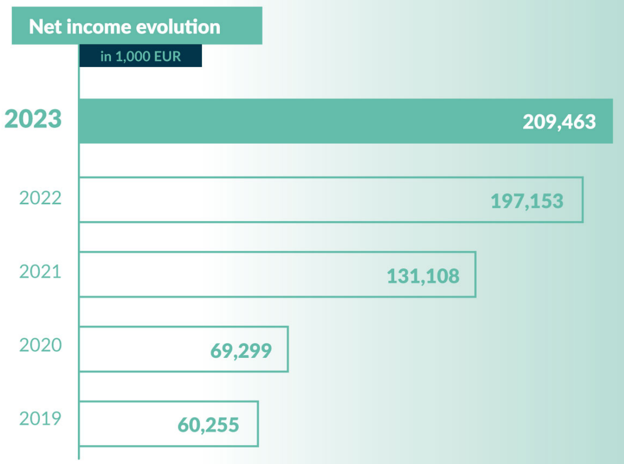
[1] Current definition of net indebtedness and working capital does not include impact from IFRS 16. For more information on IFRS 16, see note 8.9.5.K.


Revenue evolution
in 1,000 EUR
2023
964,298
2022
836,157
2021
643,786
2020
507,517
2019
486,862


Gross profit evolution
in 1,000 EUR
2023
440,220
2022
374,679
2021
273,601
2020
197,988
2019
196,234


EBITDA evolution
in 1,000 EUR
2023
306,420
2022
271,695
2021
193,240
2020
121,905
2019
119,230


EBIT evolution
in 1,000 EUR
2023
261,250
2022
226,528
2021
148,448
2020
75,534
2019
70,626


Net income evolution
in 1,000 EUR
2023
209,463
2022
197,153
2021
131,108
2020
69,299
2019
60,255


Dividend evolution
in EUR
2023
3.70
2022
3.50
2021
2.60
2020
2.20
2019
1.30

2.4 OUR INDUSTRY ASSOCIATIONS

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

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

3 WHAT WE DO

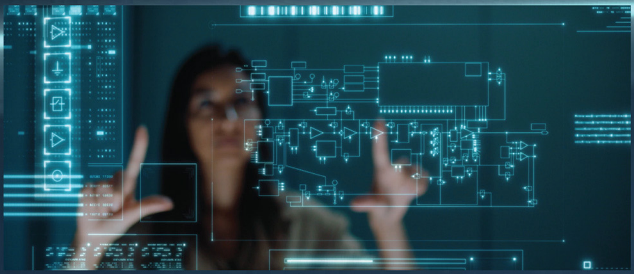
3.1 WHAT WE DO

1. DEFINE THE CHIP

To guarantee that the chip perfectly aligns with our customers' needs, we meticulously clarify every detail regarding its functions and operating parameters.

2. DESIGN THE CHIP

Our system architects craft the plan, block by block, ensuring every aspect is carefully considered. Then our design engineers bring this vision to life by creating a virtual integrated circuit, carefully selecting transistors and all the necessary components. Finally, thorough simulations are conducted to verify that all expected functions perform flawlessly, guaranteeing the integrity of the design.



8. CHIPS ARE EVERYWHERE

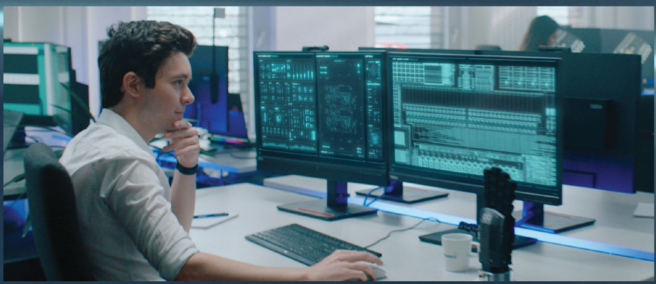
Every chip has its own story to live.
Melexis makes unique chips that sense the real world and drive the right e-motions.

7. TEST (FINAL): TESTING THE FINAL CHIP

Further testing is conducted to ensure the integrity of the final product. Every chip goes under rigorous examination again, facing various conditions, including different temperatures, applicative stresses and more.

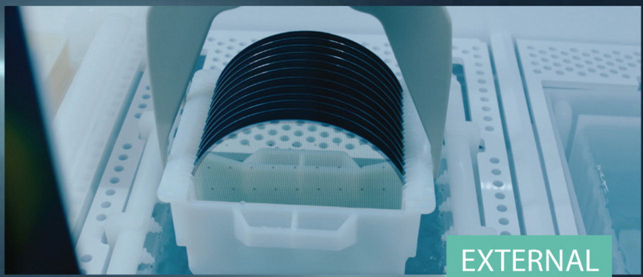
3. LAYOUT THE CHIP

Our layout engineers arrange the conceptual blocks so the integrated circuit can be physically produced. Like a microscopic Lego construction, each individual block is optimized and combined in order to minimize the total chip area.

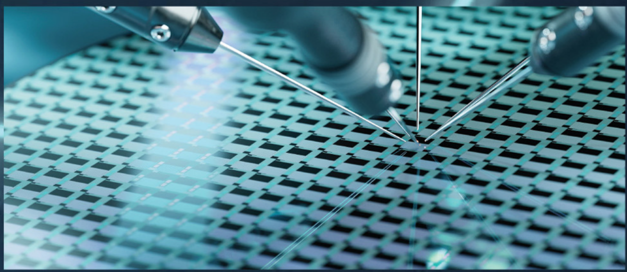


4. PRODUCE THE CHIP: WAFERS

The completed layout is transferred to a wafer fab facility, where the production of our integrated circuit (IC) begins. Utilizing advanced techniques like photo-lithography, multiple ICs are formed on the surface of a silicon wafer. It's fascinating to note that these wafers, the foundation of our technology, are derived from pure sand (or silica), highlighting the transformation from humble beginnings to cutting-edge innovation.



EXTERNAL



5. TEST (PROBING): TESTING OF THE WAFERS

Wafer testing, also known as probing, is done to guarantee the proper functionality of every chip we produced. This sophisticated process requires tiny needles that electrically connect each circuit to a tester.

EXTERNAL

6. ENCAPSULATE THE CHIP

The produced wafers undergo a precise singulation process to separate them into individual dies, each representing one integrated circuit. These dies are then assembled and bonded into the required package. Serving as a crucial shield and in some cases adding functionality, the package ensures the silicon die can operate in the real world, while being safeguarded from its surrounding environment, guaranteeing the durability and reliability of our technology.

3.2 WE INNOVATE FOR OUR CUSTOMERS

WE ENABLE EDGE SENSING AND EDGE DRIVING

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

WE CATER TO DIFFERENT SECTORS

Automotive | Sustainable world | Alternative mobility | Robotics | Digital health

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

STACKING UP AWARDS

In November 2023, the Melexis team has won two prestigious awards from our customers in the automotive and electronic fields.

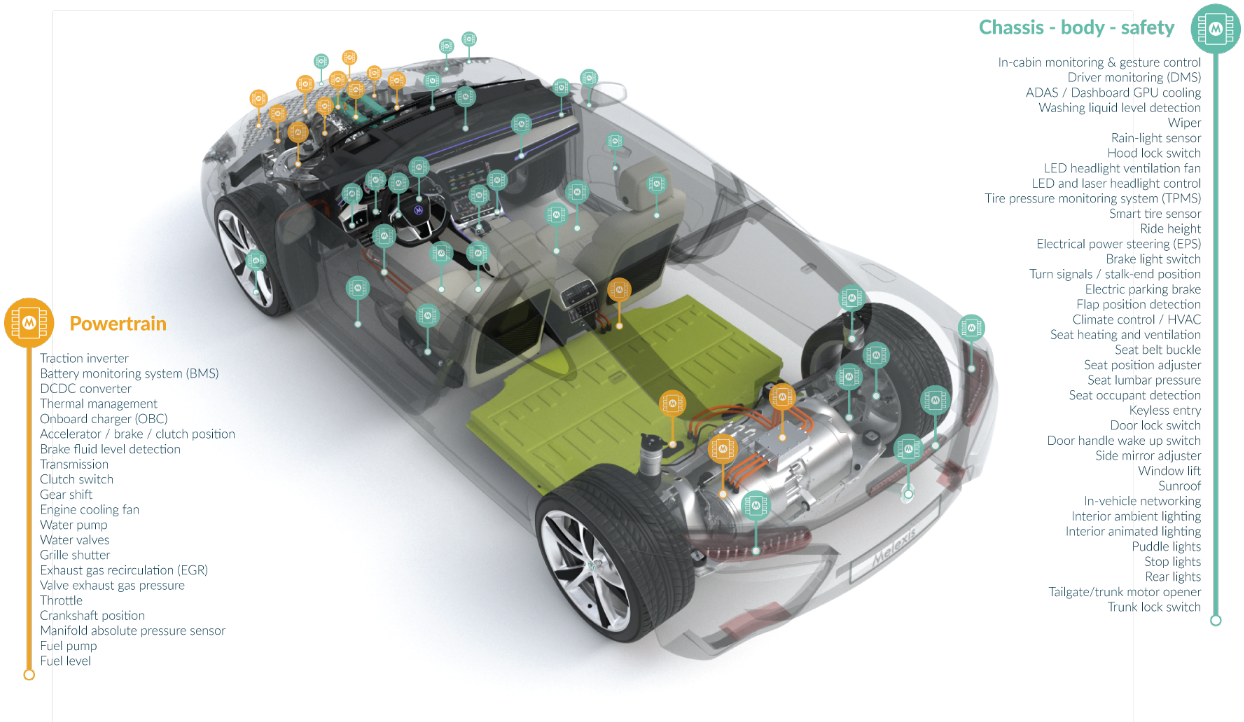
Strategic Technical Supplier for EFI Group
This award recognizes the team's technical support, professionalism in managing the allocation situation and innovative products for position and current sensors.

Value Contribution Award by Sanhua Auto Electronic Components
Our team is honored by this award for our product competitiveness, technological and cost innovation, and customer-oriented mindset.

Wodeer Strategic Partner Award

3.3 WE CATER TO MANY DIFFERENT MARKETS

Melexis chips in automotive applications



Our solutions allow systems to become more aware of and interact directly with their surroundings. Melexis is focusing on innovation in both new and established product ranges as we want to take advantage of beneficial market developments in sectors including automotive, industry, medical, home and building automation.

3.4 OUR SOLUTIONS

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

Our mixed signal products are invariably found on the edge of innumerable applications. They either take an analog signal from the physical environment and convert it to a digital signal, as we do with our smart sensors, or they convert a digital signal into an analog action, as we do through our drivers.

Magnetic position sensor ICs

The effective, accurate and reliable sensing of position is essential to modern vehicles and many other applications. With magnetic sensing, a contactless technology, engineers have access to groundbreaking advancement like Melexis' patented Triaxis® innovation. It allows them to solve design challenges in numerous automotive and other applications.

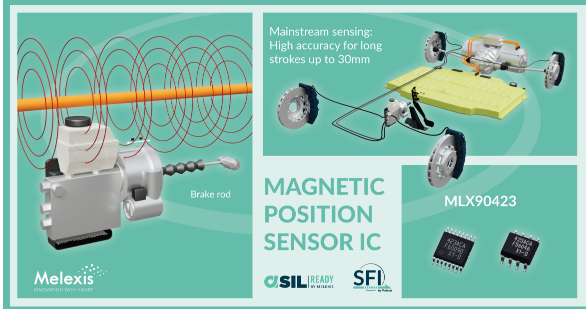
Triaxis® is an unique magnetic sensor technology (based on the Hall-effect) capable of extremely accurate three-axis magnetic field measurements (Bx, By and Bz) from a single monolithic IC. Using the three magnetic components, two- or three-dimensional sensors that detect rotary (angle), linear (stroke)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

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

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

MLX90423: A TOP NOTCH MAGNETIC POSITION SENSOR FOR LINEAR STROKE

In October, Melexis expanded its popular MLX9042x series of 3D magnetic position sensing solutions with the MLX90423. This new device blends high accuracy for long strokes (up to 30mm), stray field immunity (SFI) and ISO26262 (supports up to ASIL D system integration). This cost-effective solution is ideal for automotive ADAS applications with space constraints such as braking systems (brake rod).



MLX90394: SQUEEZE ULTIMATE PERFORMANCE IN A TINY 3D MAGNETOMETER

In December, Melexis announced the MLX90394 Triaxis® micropower magnetometer, a tiny Hall-effect based sensor. It perfectly balances the design trade-off between low noise, current consumption and cost. With on-the-fly selectable modes and advanced configurability, it enables high reuse and fast time to market. This contactless solution is suitable for rotary, linear and 3D joystick control in gaming and industrial peripherals.

Current sensor ICs

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

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

Typical applications requiring current sensors in the electrical vehicle are:

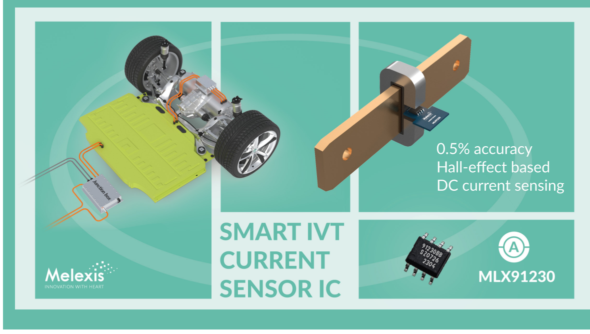
- The inverter which transforms direct current (DC) battery current to AC motor current that drives the electric motor
- The on-board charger (OBC) which transforms AC current from the grid to DC current used to power the car
- The DC/DC converter which converts the high-voltage direct current stored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

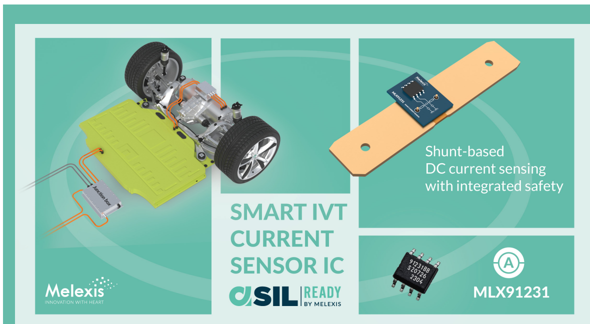
With our complete portfolio, Melexis offers current sensor for applications such as battery monitoring, on-board chargers, in-cable control boxes, AC wall boxes and DC/DC converters. Technologies range from coreless integrated, IMC-Hall, conventional Hall to shunt.'

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

MLX91230: BOOST ACCURACY OF HALL-EFFECT DC CURRENT SENSING

In September, Melexis launched the MLX91230, the first product of its third generation of current sensors. This digital solution brings +/-0.5% accuracy at an affordable price in a compact design. It integrates IVT measurement capability, embeds a microcontroller (MCU) to offload processing from the ECU and benefits from pre-installed safety features. The MLX91230 is perfect for EV battery management and power distribution systems.





MLX91231: INSERT PROVEN SAFETY IN SMART SHUNT SOLUTIONS

In December, Melexis launched the new MLX91231, increasing its automotive current sensor range by adding a shunt-based sensing solution. Meeting functional safety requirements, this IVT (current, voltage, and temperature) device combines high accuracy with the intelligence and flexibility of a digital microcontroller unit (MCU). The MLX91231 is tailored for DCDC converters, battery terminal sensors, low and high-voltage power distribution, and disconnection devices.

Latch and switch ICs

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

MLX92216/17: MICROPOWER SWITCH EXTENDS BATTERY RUNTIME

In September, Melexis announced the MLX92216 and MLX92217 ultra-low-power Hall effect switches. The 1 microwatt power consumption and narrower tolerances lead to a predictable power budget, helping to extend battery runtime. These magnetic devices detect open or closed positions, ideal for replacing traditional reed switches in Internet of Things (IoT), industrial and white good applications.

Inductive position sensor ICs

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

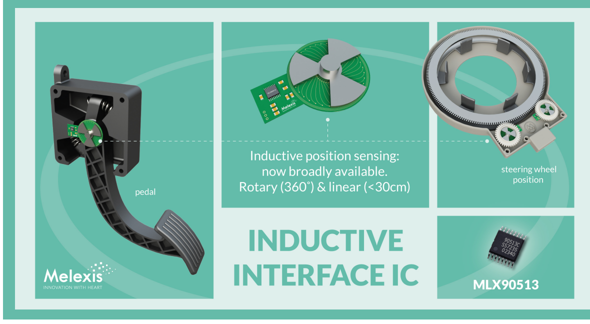
Melexis inductive position sensors are based on an innovative digital architecture that provides excellent accuracy at very high speed and strong immunity to electromagnetic interferences.

Our ASSP product family now comprises resolvers and position sensor products. They are specifically designed to address the speed, accuracy and electromagnetic interference robustness requirements of the traction motors of electric vehicles, and electric brake boosters and electric steering systems. As these are safety-critical applications, our inductive resolvers have been developed according to the ISO 26262 standard.

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

MLX90513: CUTTING EDGE INDUCTIVE POSITION SENSING IS NOW BROADLY AVAILABLE TO ALL

In November, Melexis unveiled the MLX90513. This inductive sensor IC with exceptional accuracy is designed especially for automotive pedal and steering applications. Thanks to the MLX90513, this cutting-edge technology is no longer reserved for a select audience. This ASIL C sensor interface features on-chip digital signal processing for enhanced zero-delay performances.

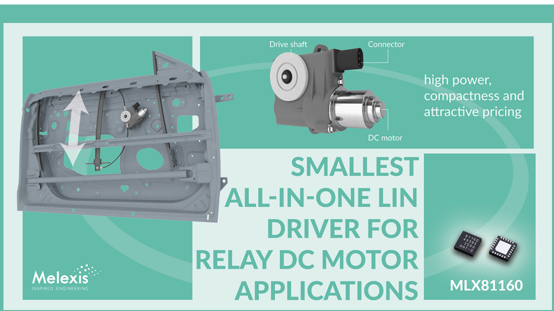


Embedded motor driver ICs

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

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

Brushless direct current (BLDC) motors can be found in pumps, blowers, fans and positioning actuators. One of the main actuator markets in the automotive sector deals with microactuators used in HVAC systems: these are used to divert airflow and render a car more efficient and comfortable. A smooth and silent operation is one of the most important criteria to ensure the thermal and acoustic comfort of the passengers.
BLDC motors are critical for EVs, for example with the expansion valves used to control the different flows in thermal management (heating and cooling) system ensuring a comfortable temperature for the cabin and optimal operation of the battery.



MLX81334: MOTOR DRIVER BOOSTS NEW FUNCTIONS FOR EV PREMIUMIZATION

In June, Melexis introduced the MLX81334, a motor driver designed to optimize electric vehicles thermal valves (accurate battery temperature control) and expansion valves (heat pump refrigeration loop). This enables longer range for EVs. The MLX81334 complements our embedded motor drivers portfolio with extended memories and OTA (over-the-air) support for premium software features.

Smart driver ICs

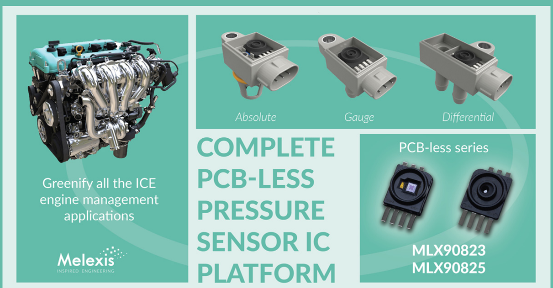
Smart driver ICs control the rotational speed of an electric fan. In electronic modules, various types of fans are used to provide adequate cooling of the circuits and components. Fan controllers are precious as they allow an optimization along the cooling capabilities and the generated commutation noise.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

Pressure sensor ICs

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

MLX90823/MLX90825: COMPLETE PCB-less PRESSURE SENSOR IC PLATFORM

In March, Melexis released two relative pressure sensor ICs with extended robustness to harsh media. They complete the PCB-less platform to the market with the most accurate pressure sensor ICs ever made. Using these pressure sensors, customers and OEMs will be able to make all their ICE engine management applications greener via a singular modular technology. To further facilitate implementation the devices are factory calibrated, while EoL (End of Line) calibration is also possible.



Tire monitoring sensor ICs

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

Embedded lighting ICs

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

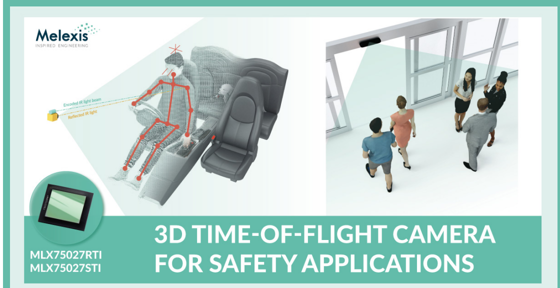
Optical sensor ICs and time-of-flight (ToF)

The industry is advancing towards greater levels of autonomous driving in the coming years, but even so the driver will still need to be able to take control in certain circumstances. Real-time monitoring of the driver's attention level, position and movements is therefore crucial. Today, in-cabin monitoring and driver sensing ToF technology is used for gesture recognition. However, the potential scope of ToF goes way further. ToF cameras can map a driver's hands position, head position and upper body position in 3D to ascertain that the driver is facing the road ahead and has his hands firmly placed on the wheel.

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

MLX75026RTI: MELEXIS TOF SENSOR SUPPORTS FUNCTIONAL SAFETY APPLICATIONS

In June, Melexis strengthened its position in time-of-flight (ToF) technology, through further product range expansion. The newly announced MLX75027RTI allows the functional safety requirements of automotive and industrial customers to be met.



EXPERIENCE THE MOST COMPLETE IN-CABIN MONITORING SOLUTION

Melexis and emotion3D launched a revolutionary automotive in-cabin monitoring solution based on 3D time-of-flight technology (ToF). It overcomes limitations of established driver monitoring systems (DMS).

Temperature sensor ICs

Temperature sensors can be found in a wide variety of markets and applications.

For example in the automotive market, our contactless temperature sensors are used for HVAC control and for temperature monitoring of critical components in the electric powertrain.

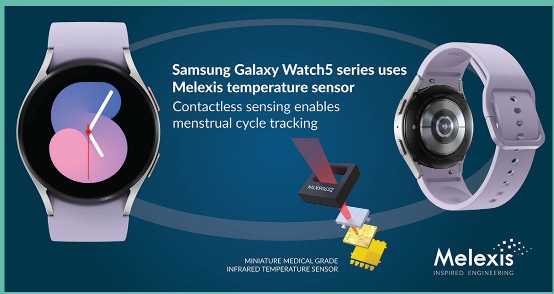
They can also be found in smart building applications. People detection with our low resolution (and thus privacy protecting) arrays and room temperature measurement allow smarter building management.

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

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

GALAXY WATCH 5 SERIES USES MELEXIS TEMPERATURE SENSOR FOR MENSTRUAL CYCLE TRACKING

In February, Melexis, announced that it supplies its unique MLX90632 temperature sensor to Samsung's Galaxy Watch5 and Galaxy Watch5 Pro. The non-contact temperature measurement with enhanced accuracy enables menstrual cycle tracking. Reliable continuous temperature monitoring opens a wide range of new applications in sports, health and other domains.



4 WHAT WE STAND FOR

In 2023, all employees were able to meet members of the Executive Management team and have their voices heard once again as the Business Communications Tour was held at the different sites around the globe, throughout spring and summer. Alongside strategic company information, industry benchmarks, local success stories and achievements celebrations, the spotlight of the Tour anchored on our Melexis purpose.

A bottom-up exercise held late 2022 and beginning of 2023 had as goal to infuse and reformulate the Melexis purpose, or why do we exist, in a way it truly reflects what we stand for as a company, as a community, as products to markets we serve. A series of interviews and workshops with team members lead to our new tagline and reformulated purpose.

And why do we exist?

Our tagline – Innovation with heart – encompasses simply and shortly exactly what we do and how do we do it, described in our redefined purpose statement:

We innovate to make our planet a better place.

We care for our people and your people.

We sense your needs and drive your future.

We engineer globally, with an inclusive mindset.

Our promise is results.

That's what we call: innovation with heart.

Since its founding more than 30 years ago, Melexis has grown into a company around 2.000 colleagues on three continents, all of whom are passionate about shaping the future and all of whom care deeply about people and planet.

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

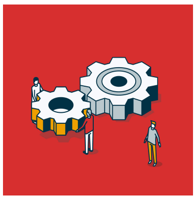
We care for the planet too. We are acutely aware of the increasing worldwide concern for safety and sustainability, two areas in which we have been active for many years. From sensors and sensor interfaces to embedded and smart drivers, we are constantly innovating to help create the most sustainable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

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

4.1 OUR GUIDING PRINCIPLES

4.1.1 The Melexis Way

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

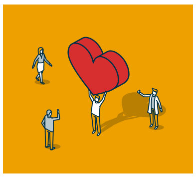


We are on the customer's side

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

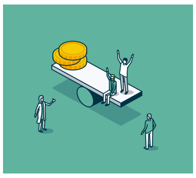
We always have a plan

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



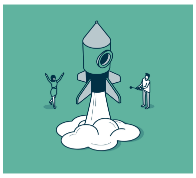
We care

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



We understand the value of money

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



We enjoy the journey towards success

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

4.1.2 The Melexis quality and environmental policy

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

4.1.3 The Melexis Code of Conduct

Melexis has outlined an ethical code of conduct (www.melexis.com/en/investors/corporate-governance/supervision-and-compliance) to provide a clear and unambiguous reference for expected behavior during business activities. Melexis, our colleagues, the members of our Board and our Executive Management all follow this code of conduct as it sets out the responsibilities Melexis takes on in the workplace and in doing business with its partners. These responsibilities include rules on respect for human rights, anti-corruption and anti-bribery, anti-competitive behavior, health and safety, privacy and on many other crucial topics.

4.1.4 Sustainability at heart

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

5 OUR STRATEGY

Melexis' core is automotive

We have been a leading global player in the development and production of unique high-end chips for the automotive industry for many years now. This will not change in the coming years, as our strategy is to further strengthen our leadership position.

The automotive industry worldwide has been transformed due to a higher degree of electrification. While a car used to be a robust means of transport with a combustion engine; electric vehicles are increasingly transforming into cars where the hardware supports the software, not the other way around. A car is becoming a smartphone on wheels.

In addition to the electrification trend, there is a “premiumization” of the vehicle driving the electronic content on the high-end segments and rapidly rippling down to lower segments.

On top, the increase of the level of driving autonomy (advanced driver-assistance systems - ADAS) is boosting the migration towards safe and reliable e-braking and e-steering systems.

It is in all those areas that Melexis can play its prominent role of innovator with an expected 10% CAGR until 2030.

Melexis goes beyond automotive

But there is more than the automotive semiconductor market. We are constantly expanding our scope to include new applications. We do this under the heading "beyond automotive". We expect this business to grow on average by 15% until 2030 through new product introductions and greater market penetration. "Beyond automotive" consists of four domains.

Sustainable world. Melexis is primarily targeting smart technologies that can make motor applications more energy-efficient in a clean-energy era.

Alternative mobility. Melexis sees a lot of opportunities in alternative mobility in the coming years, such as e-bikes, e-steps, drones and e-VTOLs (vertical take-off and landing). We are looking at this market from a very wide angle.

Robotics. Robots have been around for a long time. Just look at collaborative robots (cobots) or service robots, e.g., cleaning robots, delivery robots, etc. They exist, but they need an extra boost. Humanoid robots also exist, but they are really still in their infancy. This is where Melexis' sensors will add incredible value.

Digital health. Finally, healthcare also offers many opportunities associated with the aging of the population, the global population growth, the spread of pandemics, the increasing health costs, etc. In this domain, Melexis will develop sensors that can, among other things, constantly monitor the physical condition of a patient or help make a diagnosis.

This is how we continue to lead

We are a global player and we leverage our technological edge. We graft our technology onto other problems. For example, we apply our magnet technology from our sensors to robotics. So we largely stay on familiar grounds. Rarely do we start from scratch. It is in this way that we maximize the chances of success. Our ambition remains to bring disruptive solutions to the market at a reasonable price.

Our collaboration with world-renowned knowledge and research institutions, such as the École Polytechnique Fédérale de Lausanne (EPFL) in Switzerland, will only intensify. Innovation is risky, so we need a large pipeline from which a few successful products can spawn. Together with the academic, technology and subject-matter experts, we look for the best solutions to real problems in people's daily lives. Innovation at Melexis never happens from an ivory tower. We innovate with an open mindset and a broad view on the world. There is no point in pushing technology nobody wants. We make products that we know our customers need. With this open-innovation mindset, Melexis is ready for all future challenges.

5.1 AUTOMOTIVE

The automotive industry will remain our core playing field for the years to come. Our current focus is spread over five domains which are related to the trends evoked above and offer a significant market growth moving forward.

5.1.1. EV Powertrain

The shift towards electric vehicles (EVs) relies on a core component: the inverter. This critical component bridges the gap between the battery's power (DC - direct current) and the electric motor's propulsion (AC - alternate current), directly impacting performance, driving experience and range of EVs.

Seamless operation hinges on diligent monitoring and precise control which are supported by various Melexis products.

AC Phase Current Monitoring. Ensuring optimal current flow through each phase is crucial for maximizing power delivery and minimizing energy losses. Advanced monitoring systems track phase imbalances and potential over-currents, safeguarding against component damage and ensuring smooth motor operation.

Rotor Position Sensing. Precisely knowing the rotor's position is key for efficient energy conversion. Magnetic or inductive resolvers provide real-time data on rotor movement, enabling the inverter to continuously adjust in real-time the provided power through the power module, optimizing efficiency and minimizing torque ripple for a smooth ride.

Power Module Temperature Monitoring. Heat is the enemy of electronics. Proactive monitoring of power module temperatures ensures they operate within safe limits, preventing thermal overload and potential damage. This extends the lifespan of the inverter and contributes to overall system reliability.

Power Module Signal Filtering (Snubber). Power module commutation is at the heart of the inverter and it generates electrical noise (spikes, overshoots) that can interfere with other sensitive components. Snubber circuits effectively filter these unwanted signals, ensuring clean power delivery and protecting sensitive electronics and the battery from irreversible damage. This contributes to system stability and reliable performance.

Safety Cover Open/Close Detection. Seemingly a simple task, a sensor detects the open or closed state of the inverter's safety cover, preventing accidental operation and potential hazards. This critical safety feature ensures both personnel and vehicle safety during maintenance or service.

5.1.2. EV Battery

The EV revolution depends on another critical part: the high-voltage battery. This high-valued component due to its cost and importance to vehicle operation, is the powerhouse that stores the electrical energy that propels the vehicle. Optimizing the battery's performance is a game-changer as it dictates the range and performance of the vehicle.

Unlike a conventional fuel tank, the high-voltage battery requires sophisticated management to ensure its safety, longevity, and optimal power delivery. This responsibility falls on the battery management system (BMS), a complex network of sensors and algorithms working continuously to safeguard this vital component through computing the state-of-x, e.g., state-of-charge, state-of-health, state–of-power, state-of-safety, etc.

Melexis brings solutions to the sensing network of the EV battery ecosystem.

Current monitoring. Precisely measuring current flow ensures efficient energy utilization and prevents over-current situations that could damage the battery, especially during fast-charging.

Impedance sensing. Continuously measuring impedance (DC and AC) strongly contributes to the state-of-x algorithm and helps identify potential issues like internal cell degradation or aging before they impact performance or safety.

Temperature monitoring. Maintaining optimal temperature (within a specific range) during driving and charging is crucial for battery health and longevity. The BMS continuously monitors the battery temperature and drives the thermal management system accordingly.

Pressure monitoring. Continuously monitoring internal pressure ensures safe operation and prevents leaks or ruptures that could compromise performance.

Both the temperature and the pressure monitoring are able to detect signs of and to prevent thermal runaway, an overheating scenario which can potentially cause a spectacular but catastrophic fire of the battery and eventually the vehicle.

5.1.3. EV Thermal Management

The electrification journey demands innovation beyond simply replacing the internal combustion engine (ICE) by an electric motor and the fuel tank by a battery.

Unlike their fossil fuels powered counterparts, EVs lack the inherent heat generated by the combustion engine.

Achieving an optimal all-electric range (AER), while maintaining driver comfort, presents a unique challenge and hinges on a perfect thermal management system. This system plays a pivotal role in ensuring the ideal battery temperature (driving and charging modes), which lies in the 20-40°C window, to preserve battery health, ensure peak performance, and extend lifespan. The same system, based those days on a heat pump, also ensures an optimal energy consumption for cabin heating and cooling.

Melexis' sensors and motor drivers enable advanced monitoring and control technologies for the EV thermal management system.

Pressure monitoring. Precisely tracking refrigerant pressure across the system ensures optimal efficiency and prevents potential leaks. Utilizing our patented technology Triphibian™ pressure sensor enables highly accurate and reliable refrigerant pressure measurement, crucial for efficient system operation.

Temperature monitoring. Real-time temperature monitoring of both the battery (driving and charging modes) and the cabin allows for targeted adjustments to maximize comfort while minimizing the energy burn.

Current consumption monitoring. Continuously monitoring the current draw of the E-compressor allows for fine-tuning the system heat-pump operation and reducing its energy consumption.

Fast charge current monitoring. Accurately measuring current during fast DC charging is crucial to ensure safe and efficient battery charging, during which the thermal management system plays an important role.

Valve & pump positioning & controlling. Dynamically adjusting the position and operation of valves and pumps allows for precise control of refrigerant flow, optimizing system performance. Melexis' motor drivers family contributes to the success of those smart mechatronics components.

5.1.4. E-steering & E-braking

The path towards autonomous vehicles with higher levels of autonomy, e.g., level L2+ and beyond for the ADAS, is currently paved with countless advancements for sensors.

For braking, those advancements will accelerate the transition from traditional hydraulic and electro-hydraulic systems to the revolutionary full-electric brake-by-wire architecture targeting the highest level for operational availability and functional safety. The same criteria also apply for the future electric steering systems which will ultimately run without a mechanical column (steer-by-wire).

Melexis' sensor ICs are supporting the aforementioned acceleration and many of them have already stepped into the spotlight of advanced e-steering and e-braking systems.

Steering wheel position & torque sensing. These sensors translate the driver's intent into precise steering commands, ensuring smooth and responsive vehicle control when the driver is expected to be in charge.

Brake pedal position sensing. Although this pedal is less used on EVs due to the regenerative braking slowing down the vehicle while recharging the battery, a precise pedal position detection remains critical to report the driver's command and to engage the braking system, guaranteeing passenger safety and comfort.

Steering rack position sensing. Real-time feedback on the steering rack's position allows for accurate trajectory control, a crucial element for safe and stable autonomous driving (L2+ and beyond).

Braking caliper position & force sensing. Monitoring caliper position and applied force ensures controlled and efficient e-braking.

Rotor positioning for electric motors. The electric actuation for e-steering and e-braking relies on electric motors. Accurate rotor position sensing allows for optimal motor control and eventually safe and efficient steering and braking systems.

Park lock motor positioning & controlling. Precise park lock motor control ensures secure parking engagement and prevents accidental rolling, a vital safety feature for EVs.

5.1.5. Lighting

The pursuit of premium experiences in automobiles extends far beyond horsepower, comfort features and materials. Over the past years, lighting has emerged as a powerful tool for differentiation, elevating the driving experience and shaping brand identity like never before.

From the inside out, light is transforming the way the occupants perceive and interact with the vehicle; and Melexis keeps leading the interior lighting segment with existing LED (light-emitting diode) drivers and innovation initiatives. Melexis targets exterior light applications too, in particular when aesthetics is the main driver.

Interior Ambient Lighting. Ambient lighting creates a mood, enhances comfort, and influences driver focus.

Animated Lighting. Beyond static ambient lighting, animated lighting sequences add a touch of personality and dynamism, making the driving experience even more interactive and engaging, setting premium EVs apart from the ordinary.

Daytime Running Light (DRL). More than just safety features, DRLs have become design statements. Unique DRL signatures not only enhance visibility but also become instantly recognizable brand markers from the very first glance.

Rear Lighting. In addition to the mandatory lighting equipment (tail lights, brake lights, turn signals) at the back of a vehicle to ensure good visibility and safety on the road; rear lighting is transforming into a communication tool. Not only does it improve safety, but it also adds a touch of flair and personality to the vehicle's rear profile, contributing to a distinctive appearance.

Logo & Grille Illumination. The same applies to the iconic logo and grille, which are no longer just identifying markers; they are real differentiators when lighted. They illuminate with signature colors and patterns, reinforcing brand identity and creating a sense of exclusivity, premium and instantly recognizable.

5.2 BEYOND AUTOMOTIVE

Expanding beyond automotive is a strategic direction we want to keep as it is a way to secure our future growth with our current technologies and the outcome of our innovation initiatives.

5.2.1 Sustainable World

Under this theme, Melexis has the ambition to launch innovation initiatives to address the urgent need for sensing and driving solutions enabling energy-efficiency as we transition to a more electrified world relying on clean energy. In that perspective, energy-efficiency is not just a technological challenge; it is a societal imperative to grasp the benefits from all the initiatives taken to mitigate climate change.

In our today's product portfolio, **current** and **position** sensors, and **motor drivers** are already contributing to this theme.

We are exploring new sensing and driving solutions leading to higher energy efficiency for major relevant electric systems (industrial motors, heat pumps, inverters for renewable energy production, etc.).

5.2.2 Alternative Mobility

The transportation landscape is undergoing a transformative shift, driven by the urgent need for sustainable and environmentally friendly solutions. In this new era, next to automotive electrification, alternative mobility takes center stage, offering a diverse range of options that redefine how we move from A to B.

Melexis wants to convert those options into opportunities targeting electric bicycles (e-bikes, pedelecs), electric motorcycles (e-scooters, 2-/3-wheelers), drones, and eVTOLs.

While developing an innovative **torque** sensor and a dedicated motor driver for electric bicycles; the alternative mobility theme is served today by **position, speed** and **current** sensors.

5.2.3 Robotics

Our world faces two converging challenges: an aging population with increasing demand for support and a scarcity of labor across various industries. These issues call for innovative solutions, and robotics is emerging as a powerful force poised to address these challenges.

Robots are increasingly playing a vital role in assisting the elderly and those with disabilities. From rehabilitation robots (exoskeletons) that aid in physical therapy to service robots that help with daily tasks, these robotic companions offer much-needed support, promoting independence and improving quality of life.

Across industries, from manufacturing to healthcare, labor shortages are creating bottlenecks hindering productivity and growth. Collaborative robots (cobots) are bridging this gap, working safely alongside humans to automate repetitive tasks, improve efficiency, and free up human workers for higher-level activities.

By addressing the challenges of aging populations and labor shortages, robots, cobots and humanoid robots have the potential to improve quality of life, boost economic growth and shape a sustainable future. By automating tasks and reducing reliance on manual labor, robotics can contribute to a more sustainable and resource-efficient future.

Beyond labor, robots bring a solution to crucial concerns in today's globalized world such as localization and derisking. Manufacturing robots offer unique advantages in this context. They can operate in hazardous environments or perform tasks with high precision, ensuring safety and product quality. Additionally, their flexibility and adaptability allow for rapid production changes and on-demand manufacturing, fostering competitiveness in a dynamic market.

From our limited footprint based on position and current sensors, we have the ambition to grow our robotics portfolio and we are investing in multiple innovative product developments: advanced **motor drivers** to control any joint, novel sensors that accurately measure the **position** and the applied **torque** of a robot's arm, and sensors that provide the sense of **touch** to robots through the measurement of the **force** applied between the robot and an object (force sensing).

5.2.4. Digital Health

The healthcare landscape is undergoing a paradigm shift, driven by several key trends: an aging population requiring more care, a scarcity of medical personnel, challenges in accessibility, rising healthcare costs, and an increased awareness of health and well-being post-pandemic.

In this dynamic environment, digital health emerges as a transformative force, offering innovative solutions to address these challenges and improve healthcare for everyone.

As life expectancy increases, the need for remote monitoring and preventative care becomes paramount. Wearable devices with temperature sensing capabilities can empower individuals to track vital signs, detect potential health issues early, and proactively manage their health. This not only improves individual outcomes but also reduces strain on healthcare systems.

The scarcity of medical personnel is a global concern, particularly in rural areas. Digital health solutions like telemedicine and AI-powered diagnostics can bridge this gap by connecting patients with healthcare professionals remotely, improving access to care and reducing geographic disparities.

Traditional healthcare models often face accessibility challenges, especially in remote areas. Digital health offers solutions like mobile health applications and point-of-care (PoC) diagnostics that can deliver care closer to patients, regardless of their location. This not only improves accessibility but also reduces travel costs and potentially lowers overall healthcare costs.

The COVID-19 pandemic has significantly increased awareness of health and well-being. Individuals are increasingly taking charge of their health, seeking personalized solutions. Digital health empowers individuals with tools for self-monitoring, disease management, and preventative care, promoting a proactive approach to health and well-being.

Today, Melexis' main contributions in digital health sensing is with far-infrared (FIR) technology for miniaturized contactless **temperature** sensing in wearables, smartphones and medical diagnostics equipment.

Beyond temperature sensing, Melexis is running open-innovation programs internally and externally. **Biosensing** technologies is our primary focus today.

Biosensing solutions integrated into wearables (patches, fitness bands, etc.) will offer a wider range of health data, enabling personalized insights and interventions. Biosensing solutions in PoC and in-vitro diagnostics (IVD) devices will provide rapid and accurate diagnoses at the point-of-care, further improving accessibility and efficiency.

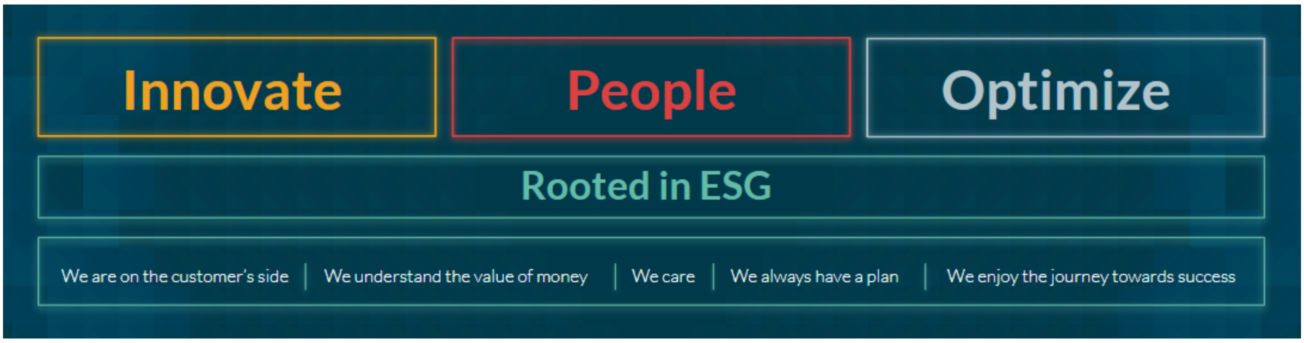
Digital health holds immense potential to transform healthcare delivery, offering solutions for the challenges of today and paving the way for a future where personalized, accessible, and affordable healthcare is a reality for all. As technology continues to evolve, we can expect even more innovative applications of digital health, opening a new era of empowered individuals and proactive healthcare management.

6 OUR SUSTAINABILITY REPORT

With our annual sustainability report, based on the Global Reporting Initiative (GRI) Standards, Melexis endeavors to enable accountability and transparency regarding our company's sustainability efforts. In the following subchapters, various material topics with regard to sustainability are covered. Unless otherwise specified, the disclosed information refers to the 2023 fiscal year and is valid for the whole organization[2].

Melexis an ESG focused organization

As mentioned by our CEO: "Sustainability is at the core of all our strategic decisions".



Within Melexis we have established an ESG committee at Board of Directors' level. This committee consists of three members, Marc Biron (chair), Françoise Chombar and Maria Pia De Caro. In this committee, our ESG ambitions, risks and opportunities are discussed. ESG is a recurring topic during the monthly meeting of Executive Management, where corporate strategy and ESG come together. Furthermore, a dedicated cross functional ESG core team has been defined, to translate Melexis' ESG ambitions into concrete plans, policies and initiatives and to create a meaningful global impact.

6.1 OUR KEY MATERIAL TOPICS

6.1.1 The Sustainable Development Goals

Adopted by all its member states, the UN has developed 17 Sustainable Development Goals (SDGs) as the blueprint to achieve a better and more sustainable future for all. The SDGs address the global challenges we face, including those related to poverty, inequality, climate change, environmental degradation, peace and justice[3].

Based on our Double Materiality Assessment, as described in more detail under 6.1.3, Melexis has updated the SDG topics that are material to our organization as illustrated below.

As we can have the most substantial impact on the following SDGs, we are supporting these with dedicated initiatives.

[2] Xpeqt Group has not been taken into consideration since it was acquired on 1st October 2023 and the impact is considered minimal (except for 6.4.1).
[3] https://www.un.org/sustainabledevelopment/sustainable-development-goals/

SDG 3: Good health and well-being

- Employee health and safety
- Business ethics, human rights, child labor

SDG 4: Quality education

- Training and development
- Melexis Academy
- Educational awareness in STEM

SDG 5: Gender equality

- Equal opportunities
- End all forms of discrimination

SDG 8: Decent work and economic growth

- Development of people
- Retention
- Employee health and safety
- Responsible supply chain
- Business ethics, human rights, child labor

SDG 9: Industry, innovation and infrastructure

- Continuous innovation
- Intellectual property
- Responsible supply chain

SDG 10: Reduced inequalities

- Equal opportunities
- Diversity
- Avoiding any form of violence or harassment
- Business ethics, human rights, child labor

SDG 12: Responsible consumption and production

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

SDG 13: Climate action

- Focus on sustainable mobility
- Fuel efficiency
- CO2 reduction contributions
- Electrification of vehicles
- Shared mobility

6.1.2 GRI Standards

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

For some years now, Melexis has been reporting in line with the GRI Standards.

In line with the Belgian law of 3 September 2017 (detailing the publication of non-financial information and information regarding diversity by large companies and groups), Melexis has decided to report its sustainability efforts also for 2023 in accordance with the GRI Standards: Core option.

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

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

6.1.3 Double Materiality Assessment and preparation towards CSRD compliance

On July 31, 2023, the European Commission adopted the European Sustainability Reporting Standards (ESRS). All companies subject to the Corporate Sustainability Reporting Directive (CSRD) have to comply with these standards. Melexis started its preparation to report as of next year based on the ESRS. In total, the ESRS consist of 12 standards covering general information and specific topics in each of the Environmental, Social, and Governance (ESG) pillars. The ESRS have the double materiality perspective as a starting point. This means that we need to assess our financial materiality (outside-in perspective) i.e. how our surroundings can affect our financial position, but also our impact materiality (inside-out perspective), taking a look at how our business (value chain) impacts our surrounding environment and the people within it.

In order to tailor our future sustainability reporting, Melexis conducted a Double Materiality Assessment (DMA) in 2023. We started by looking at our peers and other contextual information to make a preliminary choice of material (i.e. relevant) topics. We also got together with our most important stakeholders to help us decide which topics are relevant for us as Melexis. We decided that topics that fall within both the high impact and medium impact categories will be material. The outcome of the DMA confirms that over the years we have been focusing on the right (i.e. relevant) topics. A more detailed description of our approach to perform the DMA, the result of the DMA, an overview of the identified ESG risks and process to define said risks will be, among others, part of our 2024 integrated report.

After agreeing on the choice of material topics through the DMA, we continue our journey towards CSRD compliance, this includes gap analyses and definition of roadmaps and action plans. In 2024 Melexis will reshape its ESG strategy and update its sustainability ambitions, KPIs, targets and policies taking into account the outcome of the DMA, input from the ESG committee and Board of Directors. We will publish as of 2025 an integrated report in line with CSRD to cover fiscal year 2024.

6.2. PRODUCT SAFETY AND QUALITY

Driving a car is a self-evident part of people's lives. We drive to work, to school, go shopping and visit friends and family. To minimize the risks on society which are related to driving, the industry has provided steady improvements in car safety over the last decades. Advances in modern electronics and especially the move to assisted and autonomous driving, have accelerated the number of safety systems. Semiconductor devices and computer-controlled systems with complex software are integral to these system designs. Standards are needed to ensure more safety onboard and to create a universal international approach to hardware and software design.

It should be noted that Melexis focuses on product safety. Quality is not limited to traditional automotive solutions but it also includes autonomous vehicles, consumer, medical and industrial applications.

In the automotive arena, safety is a critical concern to component manufacturers, vehicle makers and consumers. Software is at least as important as hardware in ensuring the safety of vehicle drivers, passengers and other road users. As a result, new standards like ISO 26262 and ISO 21434 define stringent processes that software developers must follow to ensure the safety of automotive systems.

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

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

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

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

We passed seven of seven performed IATF 16949 audits by independent certification authority DQS in 2023. Valid certificates can be downloaded from our website: www.melexis.com/en/tech-info/quality/certificates

6.3. OUR STAKEHOLDER ENGAGEMENT

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

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

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

In November, Melexis hosted its Capital Markets Day, where we presented our innovative technologies and strategies for the future. We showed our investors how Melexis offers the automotive industry a competitive advantage through our innovations. Furthermore, we shined a light on how Melexis is serving other markets like digital health, alternative mobility, robotics and sustainable world.

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

OUR STAKEHOLDERS	THEY CARE ABOUT	WE COMMUNICATE VIA
Our customers	• Product quality, safety and lifecycle • The greenification trend, fully embedded in society and with their customers • Health and medical applications • Responsible supply chain and conflict minerals • Business ethics and customer privacy	• Annual customer audits and business reviews • Annual strategic technology roadmaps • Regular sales meetings with key customers • 24/7 technical support hotline • Technical interface engineers • Weekly social media posts • Monthly press releases • Monthly events • Brochures and product sheets • Letters, e-mail, phone and social media
Our colleagues	• The greenification trend, fully embedded in society • Development and retention • Diversity and migrant workers • Safety, health and well-being • STEM and community involvement	• Monthly internal company newsletters • Quarterly internal town hall meetings • Business communication tours at all sites • Regular team meetings • Employee listening campaign • Regular leadership communications • People surveys • Global employee performance excellence system • Global intranet • Social media and website • Google Space posts
Our investors	• The greenification trend and the shift towards electric vehicles • Continuous innovation and intellectual property • Responsible supply chain (conflict minerals) • Business ethics and customer privacy	• Annual shareholders meetings • Quarterly reports • Annual report • Regular capital markets days • Investor relations press releases • Yearly financial statements • Social media posts
Our suppliers	• Product quality, safety and lifecycle • Continuous innovation and intellectual property • Responsible supply chain and conflict minerals • Business ethics and customer privacy	• Supplier audits and business reviews • Regular supplier meetings • Weekly social media posts • Supplier assessment
Our communities	• STEM involvement • Community involvement • Health and safety • Materials and energy use	• Industry associations • Corporate social responsibility activities • Trade fairs • Weekly social media posts • Regular press releases

6.4. OUR TALENTS

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

6.4.1 Our employment statistics

By employment type: employee statistics on 31.12.2023

At year's end in 2023, Melexis was made up of 2,042 employees: 1,894 employees worked full-time and 103 employees worked part-time. The minimal increase in inactive employees from 38 to 45 is caused by slightly more maternity leaves, long-term sickness and paternal leaves.

	EMPLOYMENT TYPE					
	Full-time		Part-time		Currently inactive at Melexis	
Region	Absolute #	Percentage	Absolute #	Percentage	Absolute #	Percentage
APAC						
Female	44	96%	2	4%	0	0%
Male	67	100%	0	0%	0	0%
EMEA						
Female	551	85%	61	9%	39	6%
Male	1,215	96.4%	39	3.1%	6	0.5%
NALA						
Female	5	100%	0	0%	0	0%
Male	12	92%	1	8%	0	0%
Female count	**600**	**85%**	**63**	**9%**	**39**	**6%**
Male count	**1,294**	**97%**	**40**	**3%**	**6**	**0%**
Total 2023	**1,894**	**93%**	**103**	**5%**	**45**	**2%**
Total 2022	**1,730**	**93%**	**97**	**5%**	**38**	**2%**

By new hires: employee statistics on 31.12.2023

	AGE						
	<35		35-55		>55		
Region	**Absolute #**	**Percentage**	**Absolute #**	**Percentage**	**Absolute #**	**Percentage**	**Total absolute #**
APAC							
Female	9	60%	6	40%	0	0%	15
Male	8	40%	10	50%	2	10%	20
EMEA							
Female	68	44%	73	47%	14	9%	155
Male	148	52%	115	40%	22	8%	285
NALA							
Female	0	0%	–	0%	0	0%	0
Male	1	50%	0	0%	1	50%	2
Female count	**77**	**45%**	**79**	**46%**	**14**	**8%**	**170**
Male count	**157**	**51%**	**125**	**41%**	**25**	**8%**	**307**
Total 2023	**234**	**49%**	**204**	**43%**	**39**	**8%**	**477**
Total 2022	**272**	**51%**	**218**	**41%**	**40**	**8%**	**530**

On 1st October 2023, Melexis acquired full ownership over Xpeqt NV who sold mainly XTD Testers, spare parts and calibration services to Melexis NV. The Xpeqt employees (a total of 50 people) are also part of the Melexis headcount per 31 December 2023 and have been added as part of the new hire statistics as indicated in the table above.

In the pursuit of organizational excellence, talent acquisition and retention stand as the pillars of our success at Melexis. The recruitment growth of 2023 compared to 2022 is in line with our business and sales growth evolution. Our unwavering commitment to cultivating a high-performing team remains evident through the efforts of our dedicated talent acquisition specialists.

Adapting with agility, our specialists navigate the dynamic landscape of the labor market, employing flexible branding and recruiting strategies to secure top-tier talent for critical global positions. This collaborative effort extends seamlessly to our global team, working hand-in-hand with local People & Culture teams and hiring managers. Together, we address diverse hiring locations, fostering a workplace culture that celebrates and values diversity.

In the transformative year of 2023, our global talent acquisition team intensified collaboration with the global communications team, resulting in impactful employer branding campaigns. These campaigns harnessed the latest digital marketing approaches, aligning our brand with contemporary trends and solidifying our presence in the competitive talent landscape.

Not only did we enhance our external image, but we also prioritized internal advancements. Our career section underwent a comprehensive update, aligning it with current industry standards to offer potential candidates a compelling glimpse into the exciting opportunities within our organization. The active utilization of advanced sourcing tools further streamlined our recruitment process, ensuring efficiency and precision in identifying and engaging with the finest talent available.

As we reflect on our achievements in the past year, the synergy between talent acquisition and strategic initiatives becomes visible. Moving forward, we remain steadfast in our commitment to building a workforce that not only meets the challenges of today but also paves the way for a successful and innovative future. Together, we shape a workplace where talent thrives.

In the face of a challenging and competitive labor market, our organization recognizes the inherent risks posed by talent scarcity. As mentioned above and as a summary, to mitigate these challenges, we are proactively enhancing our employer branding to attract top-tier talent. Additionally, we are conducting a thorough review of our recruitment and onboarding processes to ensure efficiency and effectiveness. Furthermore, we are committed to refining our strategic workforce planning to anticipate and address future talent needs, thereby fortifying our resilience in a tight labor market. These strategic initiatives underscore our dedication to sustaining a dynamic and skilled workforce to drive our continued success.

Our company has pursued collaborations with various universities, emphasizing a commitment to innovation and excellence. These partnerships aim to facilitate research and establish connections between academia and industry. Additionally, these collaborations play a role in our ongoing efforts to attract young talent to our organization. By creating an environment that bridges academic and industry perspectives, we hope to expand our knowledge base and bring in individuals with fresh perspectives. As we invest in education and research, our collaborations with academic institutions provide an avenue for talent recruitment. Together with our university partners, we aim to shape the future of our industry and provide opportunities for the next generation of professionals.

By retention: employee statistics on 31.12.2023

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

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

In comparison to 2022, our overall retention rate globally remains more or less stable in 2023 (83.86% in 2022 versus 83.64% in 2023).

	EMPLOYEE TURNOVER (permanent employees only) in 2023, by region, age and gender						
	AGE						
	<35		35-55		>55		
Region	**Absolute #**	**Percentage**	**Absolute #**	**Percentage**	**Absolute #**	**Percentage**	**Total Absolute #**
APAC							
Female	0	0%	2	67%	1	33%	3
Male	0	0%	10	91%	1	9%	11
EMEA							
Female	43	39%	51	46%	16	15%	110
Male	93	51%	72	39%	18	10%	183
NALA							
Female	0	0%	1	100%	0	0%	1
Male	0	0%	2	67%	1	33%	3
Female count	**43**	**38%**	**54**	**47%**	**17**	**15%**	**114**
Male count	**93**	**47%**	**84**	**43%**	**20**	**10%**	**197**
Total 2023	**136**	**44%**	**138**	**44%**	**37**	**12%**	**311**
Total 2022	**105**	**40%**	**127**	**49%**	**29**	**11%**	**261**

Employee benefits

Benefits vary according to local legislation obligations and local market practices. We aim to offer benefits that are market competitive or even transcend current market practices in all our sites.

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

In line with our company values, specific attention is given to health and well-being programs, medical coverage plans, accident coverage and retirement and disability plans.

Our people increasingly value Melexis' attention towards life balance as part of their employment value proposition, such as flexible working hours and remote working. Remote working opportunities have become a staple in the hybrid way of working. Apart from offering a higher degree of flexibility, remote working provides employees with a much appreciated higher degree of autonomy. While it is clear that remote working brings multiple benefits, Melexis also emphasizes the importance of staying connected with the colleagues and to meet in person with them. Hence, the site is still the primary location. To stimulate connection and a dynamic atmosphere, local committees, organize events such as sports activities, healthy food competitions, a quiz, etc.

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

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

Parental leave

150 employees have taken parental leave over the course of 2023. The below table lists parental leave (based on each country's local definition of parental leave) but does not include pregnancy or birth leave. It is worthwhile noting that both female and male employees take up their parental roles. This fully matches with our focus and strive for diversity and our culture of gender equality. In turn, the high parental leave numbers of the EMEA region may partly be explained by Europe's stimulating parenting legislation.

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

	PARENTAL LEAVE IN 2023				
	Full-time		Part-time		
Region	**Absolute #**	**Percentage**	**Absolute #**	**Percentage**	**Total absolute #**
APAC					
Female	0	0	0	0%	0
Male	—	—%	0	0%	0
EMEA					
Female	60	73%	22	27%	82
Male	51	75%	17	25%	68
NALA					
Female	0	0%	0	0%	0
Male	0	0%	0	0%	0
Female count	**60**	**73%**	**22**	**27%**	**82**
Male count	**51**	**75%**	**17**	**25%**	**68**
Total 2023	**111**	**74%**	**39**	**26%**	**150**
Total 2022	**80**	**61%**	**52**	**39%**	**132**

6.4.2 Training and education

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

Onboarding programs

In 2023, we enhanced the Melexis onboarding program to ensure a high-quality onboarding experience for new colleagues. Based on the feedback of 40+ new joiners, as well as their team leaders, we reviewed the onboarding structure and content, and translated it in the new onboarding planning tool. We also optimized the onboarding process across different teams involved. The updated onboarding covers everything needed for the new colleague's smooth integration: introduction to Melexis as a company, country-specific information, as well as technical training to get a kick-start in the new role. The newly implemented automated onboarding surveys allow us to evaluate and continuously improve the new joiners' experience.

Acquiring strategic training and development needs

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

On top of our active emphasis on on-the-job and self-paced learning, formal training is offered through (online) classroom-trainings, workshops, intervision sessions and e-learnings. In 2023, we logged 86,955 hours of training. These include a mix of readily available online courses on the Melexis University platform, blended learning and peer learning. In 2023, we logged 86,955 registered and attended hours of training. The criteria to calculate the training hours have been adapted, which explains the difference with 2022 (131,613 registered training hours). In addition to our internal programs, we invested EUR 1,289,889 in training sessions provided by external parties.

As always, 100% of our colleagues received their yearly or twice-yearly performance and career development review in 2023. In our digital talent center, team leaders and managers find easy and uniform guiding tools and processes to review their team members while individual colleagues can access their individual objectives and review on the same platform.

Focus on coaching and communication

We develop a solid internal coaching culture by providing opportunities to follow practical training, called Coaching Essentials, to team leads and technical leads. We also create internal coaching champions who study to obtain the internationally-recognized ICF coaching certification. They can then promote coaching throughout the organization and act as internal coaches for employees. To optimize teamwork, internal communication and collaborations with clients, partners and suppliers, we also provide a number of programs that are aimed at improving the communication skills of our employees (including knowledge of business English and the launch of a pilot training on communication essentials) and facilitate understanding between various personality and behavior types. These programs are provided globally, functionally, and locally based on employee needs.

Internal mobility as a talent strategy

Giving our employees the opportunity to engage in new roles and experiences, allows them to acquire new skills, to keep learning and growing, to apply their already acquired skills in a new domain and to enhance their overall employability in the organization. Because of the many benefits, Melexis actively promotes internal mobility: by communicating internally on the open positions, by creating testimonial videos and by creating a dedicated corner on our intranet on this topic. In 2023, more than 20% of our open positions were filled by internal candidates.

Leadership development is key

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

In 2023, Melexis developed a renewed vision on leadership, called 'enabling leadership'. The key responsibilities of the enabling leader have been identified as well as a comprehensive overview of the essential result domains, skills and competencies. This new style of leadership will support the realization of the company goals and ambitions. The enabling leader creates the conditions to let the team thrive as team of intrapreneurs, resulting in efficient and effective decision making, innovation, continuous improvement and engagement.

The leadership learning program and support are updated and extended accordingly. The teams will equally be supported in this journey, by clarifying the leading principles, offering team mentorship and didactic materials. Implementation will take place in 2024.

Also in 2023 we invested in leadership development. We continued our cohort-based training trajectory for first-time leaders, together with specialized providers. The 'Fundamentals of Leadership' training program relies on extensive peer learning and coaching. It helps new team leaders to gradually build a leadership mindset while practicing and integrating learnings in their daily job and creating an internal leadership community. In 2023, 18 new and potential team leaders were enrolled for this training program.

In addition, following the principles of our lifelong learning culture, in 2023 we have again organized the '4 essential roles of leadership' program, a tailor-made trajectory for experienced leaders (having served in a leadership role for at least five years). It aims to help our experienced team leaders to refresh, acquire and implement new knowledge during this peer learning and coaching program. Seven colleagues joined this learning journey in 2023.

Going digital and hybrid

Over the last few years, Melexis has switched to a hybrid working model for every employee whose job can be performed outside of Melexis facilities. To make sure everyone can fully benefit from this high level of flexibility, we extended the offer of fully digital and hybrid learning programs.

Major programs such as 'Fundamentals of Leadership' and '4 essential roles of Leadership' are conducted remotely. But based on the feedback from our employees themselves, we also invest in hybrid programs. For example, the participants of Coaching Essentials from all sites of Melexis combined the remote global training with face-to-face Coaching Bootcamps held locally. In function of specific, more technical learning needs, access to the appropriate learning platforms is granted, allowing to follow online courses, to create learning paths and to obtain certifications.

Next to investing in specific digital learning solutions, we want to continue improving the global digital experience for people related matters. In 2023, we developed a global digital strategy focusing on increasing the employee experience and also focusing on more efficiency on employee management related tasks.

A streamlined learning process from A to Z

In 2023, we reviewed the complete learning and development process, from identification of the learning needs on local, functional and global level, over content development and delivery of the learning solution to evaluation of the training and its impact and effectiveness. The revised process involves increased digitization. It will be continued in 2024 and needs coordinated involvement of different stakeholders, both within People & Culture and the business.

6.4.3 Diversity and equal opportunity

Diversity of employees by region and gender: employee statistics on 31.12.2023

	Female		Male		
Region	**Absolute #**	**Percentage**	**Absolute #**	**Percentage**	**Total absolute #**
APAC	46	41%	67	59%	113
EMEA	651	34%	1,260	66%	1,911
NALA	5	28%	13	72%	18
Total 2023	**702**	**34%**	**1,340**	**66%**	**2,042**
Total 2022	**643**	**34%**	**1,222**	**66%**	**1,865**

At year's end in 2023, 2,042 people worked at Melexis. Being a high-tech engineering company, we are proud to be able to attract and retain 34% of female colleagues, an unusually high number when compared to other semiconductor companies.

Diversity of the Executive Management Team: statistics on 31.12.2023

	AGE						
	<35		35-55		>55		
	Absolute #	**Percentage**	**Absolute #**	**Percentage**	**Absolute #**	**Percentage**	**Total absolute #**
Female	0	0%	2	100%	0	0%	2
Male	0	0%	4	80%	1	20%	5
Total 2023	**0**	**0%**	**6**	**86%**	**1**	**14%**	**7**
Total 2022	**0**	**0%**	**6**	**75%**	**2**	**25%**	**8**

In 2023, our Executive Management Team consists of seven people. In 2023, one male member of the Executive Management Team left the company, bringing the percentage of female members in the Executive Management Team to 28.57% compared to 25% in 2022.

Diversity of the Board of Directors: statistics on 31.12.2023

	AGE						
	<35		35-55		>55		
	Absolute #	**Percentage**	**Absolute #**	**Percentage**	**Absolute #**	**Percentage**	**Total absolute #**
Female	0	0%	1	33%	2	67%	3
Male	0	0%	1	33%	2	67%	3
Total 2023	**0**	**0%**	**2**	**33%**	**4**	**67%**	**6**
Total 2022	**0**	**0%**	**2**	**33%**	**4**	**67%**	**6**

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

DIVERSITY, EQUITY AND INCLUSION, FIRMLY ROOTED IN MELEXIS DNA

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

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

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

In 2023, we undertook several activities to actively promote Diversity and Inclusion within Melexis like: unconscious bias trainings, International Women's Day events, gender and compensation audits etc. For the upcoming year, we are focusing on building DEI knowledge and providing tips and tricks in our enabled leadership community around topics like unconscious bias and leading inclusive teams. In addition we will continue our activities around employee well-being, STEM etc.

Diversity of employees by age: employee statistics on 31.12.2023

At year's end in 2023, we noted a fairly even and representative distribution of generations on the work floor at Melexis. The average age of an employee is 40.1 years, compared to 39.1 in 2022. With a keen eye on attracting young graduates, Melexis frequently reverts to job fairs, university networking and collaboration activities. We keep on focusing globally on strengthening the collaboration with academic institutions resulting in multiple Fresh Graduates Programs. We continue to allocate funds and time to strengthen ties between our business units and these academic institutions.

	AGE						
	<35		35-55		>55		
Region	**Absolute #**	**Percentage**	**Absolute #**	**Percentage**	**Absolute #**	**Percentage**	**Total absolute #**
APAC							
Female	20	44%	25	54%	1	2%	46
Male	16	24.0%	47	70.0%	4	6.0%	67
EMEA							
Female	229	35%	350	54%	72	11%	651
Male	495	39.3%	636	50.5%	129	10.2%	1260
NALA							
Female	0	0%	4	80%	1	20%	5
Male	4	31%	2	15%	7	54%	13
Female count	**249**	**36%**	**379**	**54%**	**74**	**11%**	**702**
Male count	**515**	**38.4%**	**685**	**51.1%**	**140**	**10.4%**	**1,340**
Total 2023	**764**	**37%**	**1,064**	**52%**	**214**	**11%**	**2,042**
Total 2022	**726**	**39%**	**960**	**51%**	**179**	**10%**	**1,865**

A diverse workforce of 56 nationalities

Melexis is present in 12 countries worldwide, with a diverse workforce of no less than 56 nationalities. This versatility is a direct result of our hiring strategy that seems to foster diversity naturally. Reflecting our 'We care' value, Melexis never labels humans according to gender, age, vulnerability, nationality, religion or educational level. HR decisions are not influenced by any preferential treatment. We simply select new colleagues based on fundamental criteria like competencies, performance record, potential and team complementarity.

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

56 NATIONALITIES

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

6.4.4 Our remuneration policy

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

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

As a global company, it is important to take the local market situation in all Melexis countries into account to define the compensation and benefits strategy and budget. To this end, we analyze the local labor markets in depth on a continuous basis. A thorough knowledge of local legislation makes sure that we are compliant with the market. Information on the labor market offers key information on labor shortages and salary requirements of profiles that are key to our business today and in the future. Based on benchmarks from several sources, we rely on actual data of salary and other benefits in the high-tech industry sector.

All this information allows us to define a global reward strategy, independent of gender but with a differentiation based on local markets, specific target groups or unusual events. The world is in turmoil and many events are rapidly succeeding each other. At Melexis we always look to solve complex problems, provide answers and meet challenges. Melexis, as a responsible company, closely observes and analyzes the ongoing macroeconomic events, in particular the rising inflation.

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

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

6.4.5 Engagement

In line with our employer branding campaign: "We love to listen'', Melexis has conducted an employee engagement survey which is called ''employee listening survey''. The employee listening survey covered several topics that directly link to employee engagement, to our leadership, and to our ways of working. As a result, we have seen that our overall global employee engagement score is at 75%, taking into account 3 areas which are commitment, recommendation and efforts. With this result we are slightly above our industry benchmark.

Our strategic goal is to have 90% of our people recommend Melexis as a great place to work. With the employee listening survey of 2023, we have achieved a high favorability score of 88%.

The information we gained from the survey helped us to identify opportunities to improve performance, innovation and the retention of our employees. Everyone's voice matters and we love to listen.

6.5. SAFETY, HEALTH AND WELL-BEING

6.5.1 Occupational health and safety

Melexis takes safety in the workplace very seriously and works hard to avoid any risk, hazard, accident or injury in the workplace. A safe working environment begins with creating awareness. At Melexis, health and safety training as well as exercises (such as evacuation, fire prevention and first aid) are organized on a regular basis. Our Melexis sites comply with local regulations and ensure continuous improvement regarding their working environment. Injuries are tracked at all sites in accordance with local legislation. In 2023, no work-related fatalities or serious injuries occurred.

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

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

In collaboration with (external) local occupational health services, each Melexis site has a description of the functions that contribute to the identification and elimination of hazards and minimization of risks, and an explanation of how the organization ensures the quality of these services and facilitates workers' access to them. It stands to reason that local occupational health services are obliged to maintain the confidentiality of workers' personal health-related information and ensure the latter is not used for any favorable or unfavorable treatment of workers.

Colleagues are encouraged to connect into site groups and communities and facilitate reporting any occupational health and safety issues.

6.5.2 Our colleagues' well-being

Not merely mindful of avoiding accidents and injuries or ensuring business continuity, Melexis also offers a workplace that truly cares. As an employer, Melexis promotes an internal culture of transparency and awareness around well-being by providing a comfortable, safe and secure work environment.

Melexis respects all local work-related legislation and abides by the local laws when it comes to social elections, worker representation, shift work, the company's handbook, timely notification of operational changes etc. Approximately 50% of all employees are covered by collective bargaining agreements.

We foster an open culture in which people feel free to speak freely by organizing engagement surveys. We provide development courses about well-being and have set up a network of internal persons of trust and external professionals who are available for phone or face-to-face counseling when required.

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

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

Depending on the site, Melexis is experimenting with outside walking meetings, green patches inside and outside office buildings, leisure opportunities (like fitness rooms, darts, table tennis), well-being and life quality workshops on different aspects of physical and mental well-being (sleep, dealing with stress and burnout, meditations, etc). We equally support different sports activities and competitions, such as running competitions in Switzerland and Germany, regular badminton or cycling events in Belgium or purchasing e-bikes for colleagues in the USA for both commuting and exploring outside adventures.

MELEXIS TRIATHLON 2023

There is a remarkable global initiative — the company's triathlon 2023 — that occurred in Bulgaria.

210 of our colleagues participated in the quarter triathlon. Swimming, biking and running. It’s like innovation at Melexis. As innovators we have to dive into the unknown. We have to take leaps, balance out what we know against what we don’t know and move forward. Triathletes have to take multiple factors into account such as the state of the terrain, the weather conditions and their own individual strengths. The commitment to achieve the best possible results is something triathletes and innovators share wholeheartedly. We are extremely proud of all our colleagues who decided to push their boundaries, with support from volunteers, family and friends.

6.5.3 Cybersecurity

At Melexis, we recognize the paramount importance of safeguarding information. In today's interconnected world, where data drive innovation and sustain business operations, maintaining the confidentiality, integrity and availability of our information assets is not just a goal but a fundamental responsibility.

As stewards of critical data, we declare our unwavering dedication to information security. We understand that protecting our information assets is not only essential for our own success but also for the trust our clients, partners and stakeholders place in us.

We are convinced that all parties play a role. Not just having the latest technology, but it's also about people having a good relationship with security. At Melexis we manage and facilitate this by promoting a learning culture about cybersecurity.

We stand resolutely on the customer's side to protect their sensitive information. Our objective is to strengthen our systems against cyber threats to provide privacy, confidentiality, integrity and availability of our services and products to our customers.

Melexis wants to always be one step ahead of cyber adversaries. That's why we adopt a resilient and forward-thinking approach of identifying and addressing potential risks and invest in people and our defenses.

Our goal is to safeguard Melexis'reputation, its financial stability and its customers' trust while maintaining a competitive edge in the market. By having efficient compliance measures, maintaining high levels of protection and response, we minimize financial losses and provide the best return on investment which demonstrates reliability to stakeholders.

Our principles with respect to cybersecurity

Confidentiality: we pledge to protect sensitive and confidential information from unauthorized access, disclosure, or misuse. We uphold the trust placed in us by customers, employees and partners to keep their information private and secure.

Integrity: we are committed to maintaining the accuracy and reliability of our information assets. Our data must be complete and unaltered, ensuring that decisions made based on this information are sound and trustworthy.

Availability: we recognize the necessity of information accessibility for effective business operations. We will implement measures to ensure our systems and data are available when needed, minimizing disruptions and downtime.

Compliance: we will adhere to all relevant laws, regulations and industry standards pertaining to information security. Our commitment extends beyond compliance. We continuously strive to exceed these standards to ensure our practices remain resilient against emerging threats.

Risk Management: recognizing that no system is entirely immune to threats, we will assess and manage risks proactively. By identifying vulnerabilities and implementing appropriate safeguards, we aim to reduce the impact of potential security incidents.

Continuous Improvement: information security is a journey of constant vigilance and improvement. We are dedicated to learning from our experiences, adapting to new challenges and refining our practices to stay ahead in the ever-evolving landscape of threats.

Empowerment: we empower our employees by fostering a culture of security awareness and accountability. Each team member plays a vital role in upholding our commitment to information security.

Transparency: we will communicate openly about our information security practices, challenges and achievements where appropriate. Transparency strengthens our relationships with customers, partners and other stakeholders.

In line with these principles, we are on the verge of certifying our Information Security Management System (ISMS) towards ISO 27001 standards. Our ISMS is a framework that guides us in identifying, assessing and mitigating risks while fostering a culture of security throughout the organization. As we navigate the digital age, our commitment to information security stands as a cornerstone of our organizational values.

By embracing these principles, we strengthen our ability to innovate, collaborate and achieve lasting success.

6.6 LOCAL COMMUNITIES

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

6.6.1. Our social responsibility

In many Melexis sites, a social engagement team is set up to coordinate and implement Melexis' efforts to the benefit of the communities we operate in. Every year, a number of local initiatives are set up at our sites. These may include but are not limited to a charity marathon and charity soccer match in Erfurt, garbage collection initiative and shelter dog walks in Ieper and Tessenderlo, toys and clothes collection for local charity in Ieper or collecting presents from employees in Germany to be sent to children in need.

We continue standing with our Ukrainian colleagues during the tough times over the past months. The well-being of our people will always be our highest priority. We continuously look for ways to improve their working conditions. Furthermore at Melexis we care about the world we live in. Especially when it concerns young people looking for education. Therefore we have sponsored a renovation of a school in Kharkiv.

Our people, no matter where they are in the world, bring enthusiasm and eagerness to innovate.

6.6.2. Our educational responsibility

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

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

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

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

In August, during summer holidays, we opened during one week our doors in Tessenderlo to a group of 24 enthusiastic children to follow different workshops. It was a cooperation with Techniekacademie. In an approachable way, they were introduced to science and technology. The main activities were building and programming with LEGO Spike, LEGO WeDO, playing educational games, sports, GraviTrax, 3D Pen and a visit to our production area.

Every year, the STEM team organizes a STEM workshop for Melexis employees' children, where they can enjoy different activities such as programming, soldering and learning about microchips. It's a very refreshing workshop, both for the children and the parents.

Internal workshop, 2023

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

6.7 ENVIRONMENT

6.7.1 Environmental compliance

Environmental compliance is an essential part of Melexis quality management system. All standards Melexis is compliant with are listed on the Melexis' website. Here are key examples:

- Restriction of Hazardous Substances (RoHS)
- Conflict minerals requirements based on Dodd-Frank Wall Street Reform and Consumer Protection Act
- End-of-life vehicles (ELV) and waste electrical and electronic equipment (WEEE).
- Other local legal legislation in the countries of presence
- ISO 14001

ISO 14001 certification sets the parameters for an environmental management system. It provides a framework for establishing effective energy-efficient processes and to limit waste, reducing environmental risks and supporting the development of energy-efficient solutions. We follow a sampling plan (not all Melexis sites are audited each year), made by the independent certification authority DQS at the beginning of each new three-year audit cycle or adapted in case of opening of additional sites. We have passed all three ISO 14001 audits by DQS in 2023 (on our sites in Ieper, Tessenderlo and Corbeil). Thus, Melexis Corbeil has been successfully added to the ISO 14001 certification cycle in July 2023. We will explain our Environmental Management System in more detail in the next section.

We go through many other audits beyond ISO 14001. In the last few years, we have improved our audit methodology by combining different kinds of audits. These combined audits are aimed at maximizing the efficiency of the audit effort. Relevant standard requirements and processes are covered at all sites and experts are involved as co-auditors at the different locations.

6.7.2 Environmental Management System

ISO 14001 certification rules have defined Melexis as a company with low environmental impact. Melexis is a fabless semiconductor company that designs high-tech integrated circuits. Being fabless means that our main production process is testing: we probe products on wafer level and subsequently on the final device. This means that no chemical substances or hazardous substances are used in our production sites. We use nitrogen for low-temperature testing and electricity is the main source of energy for our operational processes. Still, we practice a 'precautionary principle' via our Quality and Environmental Management System and by identifying, assessing, and continuously mitigating risks related to environmental, quality, supply chain and sustainability aspects.

Our Quality and Environmental Management System includes the follow-up on environmental key performance indicators by maintaining balance score cards, and specific reporting (such as waste, water, nitrogen). Nitrogen emissions as such are not harmful to the environment and regular internal audits are in accordance with the Melexis global audit program. In 2023 we performed ten combined internal audits on time according to the 2023 audit planning.

Melexis Quality & Environmental Policy

Our quality and environmental policy strives to keep our environmental footprint as small as possible because we take our responsibility to both people and planet very seriously. Our internal requirements and targets are often more stringent than applicable guidelines, laws and standards. We do this not just to comply with legal requirements but because we, just like our customers, are genuinely concerned with any impact our solutions may have on their final end-user products. Our quality and environmental policy is based on five principles:

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

- Detection: we detect incidents as early as possibly in the supply chain.
- Learning: we learn from mistakes.

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

Over the years, through collaboration with suppliers, through quality innovations and with the help of new technologies, Melexis has continuously enhanced its Zero Incident Program. Its objectives remain the prevention of incidents, the early detection of any abnormality and the prevention of disruption. Over the 2019-2023 period, Melexis has continuously reduced its defective parts at customer (the so-called parts per billion or PPB). In 2023, we reached the lowest ever PPB performance for the Sense & Drive product lines.

Our environmental engagement to stakeholders

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

- Our customers: close communication loops with our customers help us identify new development opportunities for environmentally-friendly products. Melexis is accountable for supporting customers and supplying them with products of the highest quality only, in order to meet customer requirements in a manner that is consistent with environmental standards.
- Our colleagues: they are involved in environmental sustainability and continuous improvement activities. Their input is taken into account in management reviews as well as continuous improvement plans.
- Our investors: Melexis strives to ensure minimizing risks while maximizing returns to guarantee a good relationship with our investors.
- Our suppliers and subcontractors: they are a crucial element of our environmental program. We require them to act environmentally responsibly and have their own environmental policy, system and continuous improvement planning in place. Melexis requests environmental information records on all materials supplied to us, all within a defined time frame. An ISO 14001 certification is requested in case of supplier selection.
- Society: we recognize that we have a responsibility towards the local communities and surrounding environment where we operate and hence take their needs and requirements into account in terms of strategies and objectives.
- Legal authorities: legal requirements set into force with laws and regulations by the relevant local legal authorities are recorded by each national organization. These are communicated to the relevant local sites on a regular basis by our environmental coordinator. Compliance with local, national and supranational legislation that is relevant for our customers is also taken into account and given as much attention as our customer-specific requests
- Our management: our management has a clear view on sustainability based on genuine concern for the environment and is not motivated only by economic reasons.

6.7.3 Environmental sustainability and climate action

Earth's systems and processes have been influenced by human activity. Climate change, resource scarcity, environmental pollution – these are just some of the issues that humanity faces. To address this global problem, the Paris Agreement set a goal to limit the increase in global average temperature to below 2°C above pre-industrial levels and to attempt to limit the increase to 1.5°C. Melexis is committed to environmental sustainability, both in our products and in the way they are produced. We strive to minimize our environmental impact by analyzing and reducing our carbon footprint and increasing efficient use of natural resources on all our sites.

On a product level, Melexis contributes to the electrification trend in the automotive industry, which is seen as one of the most important strategies for reducing CO2 emissions. To grow our portfolio of sustainable solutions, in 2023, we announced the establishment of the new "Sustainable World" and "Alternative Mobility" product lines. You can read more about them in sections 5.2.1 and 5.2.2.

From a process perspective, 2023 was marked by growth of our premises, where we focused on climate-friendly building solutions, with a special focus on sustainable energy. You can read more about our energy program and about the building projects in section 6.7.5 below. Beyond energy, we kept on improving the environmental performance of our existing sites, minimizing our waste and water consumption. You can learn more about it in section 6.7.6 below.

We identified two main climate-related risks. The first one is the higher occurrence of natural hazards, such as floods and fires. The fact that Melexis sites are geographically spread across 19 locations from the US to Japan, thus across various climatic zones, makes that Melexis can be exposed to this risk. The second risk is increased investments by players in the semiconductor industry to ensure compliance with new regulations to reduce the environmental impact. The production of wafers for instance is energy and water intensive. Moreover, the environmental footprint of transportation of ICs is high, given the global nature of the semiconductor supply chain. Therefore, regulation in view of climate change could put pressure on the industry and lead to substantial increases in the cost of doing business. To address this risk, Melexis measures its greenhouse gas (GHG) emissions, covering all scopes 1, 2 and 3 in accordance with the GHG Protocol. Based on these measures, we are setting carbon targets and are searching for ways to reduce our footprint, as described in the next section.

6.7.4 Carbon footprint

Based on the The Paris Agreement mentioned above, the European Green Deal and the 'Fit for 55' program have put in motion a momentum for a renewed environmental sustainability reporting. Reporting on the carbon footprint, or emission of greenhouse gases, has become a business imperative. Since 2021, Melexis has been reporting on Scope 1 (direct emissions from operationally owned assets, such as combustion of fossil fuels, process emissions, and fugitive emissions) and Scope 2 GHG emissions (indirect emissions from the purchase of energy e.g. electricity, heat, cold or steam, highly dependent on the countries' electricity mix). Based on advancing insights, and in a bid to provide more transparency on our environmental impact, Melexis voluntarily decided to take another step in assessing its total carbon footprint and therefore started to report on Scope 3 emissions (all other indirect emissions from the supply chain, such as raw materials, waste, logistics).

Our total Scope 1, 2 and 3 emissions for 2023 are 416,016 ton CO2e. Below you will find more detailed information about our 2023 footprint and the Melexis carbon target.

Our carbon target

To contribute to the carbon neutrality goal of the European Green Deal in 2050, in 2022 we announced a -40% by 2030 target. It means that Melexis aims to reduce Scope 1 & 2 GHG emissions per sold chip by 40% by 2030 in comparison with 2021. We can confirm that our progress is in line with this target.

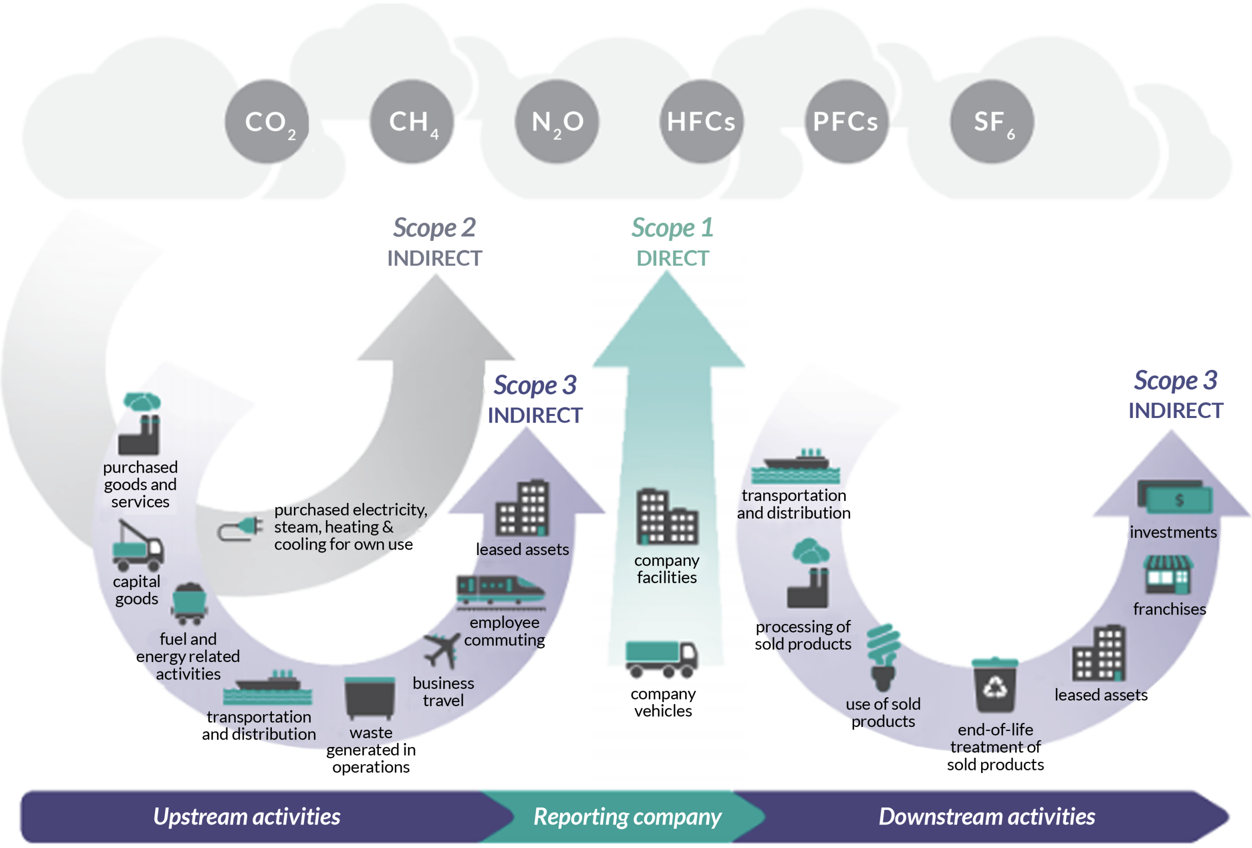
Based on the update of our carbon footprint calculation method in 2023, as well as our investment in the measurement of Scope 3 emissions, and climate science, we are reviewing this target to further increase our contribution to the Paris Agreement goal of limiting global warming to 1.5° C.

Methodology

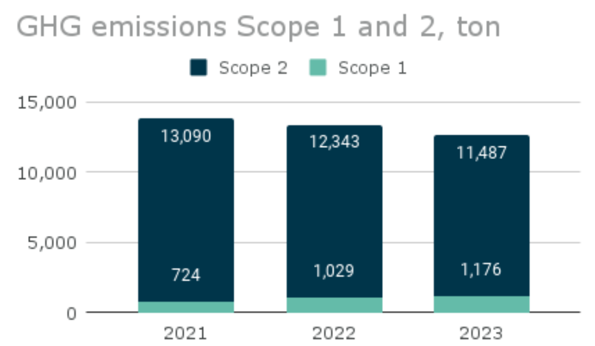
In 2023, we adjusted the carbon footprint calculation methodology, switching from Bilan Carbone® to the Greenhouse Gas Protocol. Greenhouse Gas Protocol is the main internationally recognized standard, which makes our carbon accounting future-proof as we prepare for introduction of Corporate Sustainability Reporting Directive (CSRD) and other international reporting and target-setting frameworks. The organizational boundaries are defined using the operational control approach. Scope 3 is calculated by a combination of physical data and spend-based approach. Recognized emission factor databases have been used such as Ecoinvent and CEDA to convert activity data into CO2 equivalents (CO2e) using global warming potentials provided by the GHG Protocol.

Scope 1 and 2

In the table below you can see Melexis Scope 1 and 2 GHG emissions, carbon intensity and their comparison with previous years.



Metric	Unit	2021	2022	2023
Scope 1	ton CO2e	724	1,029	1,176
Scope 2	ton CO2e	13,090	12,343	11,487
Total, Scope 1 and 2	**ton CO2e**	**13,814**	**13,372**	**12,663**
Carbon intensity, Scope 1 and 2	**ton CO2e / million devices**	**7.78**	**6.89**	**6.92**



We can report a 5.3% decrease in our total Scope 1 and 2 GHG emissions, while the Carbon Intensity, Scope 1 and 2 remained stable compared to last year. You can read more about some actions that contributed to this result in the "Energy" section below.

Scope 3

In our first year, we report 403,353 tons CO2e Scope 3 emissions, which represents 97% of our total GHG emissions. All Scope 3 categories, as defined by Greenhouse Gas Protocol, were included in the calculation, except for two: Category 10 — Processing of sold products and Category 11 — Use of sold products. The reason for excluding these categories is a great variety and number of applications and end users of Melexis products, which makes collection and aggregation of reliable data related to downstream activities difficult.

The biggest Scope 3 category is Category 1 — Purchased goods and services. It accounts for 376,235 tons CO2e, or 93% of our total Scope 3 emissions. This category is significant due to the specificities of semiconductor industry. As a fabless company, Melexis works with external wafer suppliers for manufacturing of our products. The second biggest Scope 3 category is Category 2 — Capital goods, accounting for 13,650 tons CO2e, or 3% of our total Scope 3 emissions.

6.7.5 Energy

Energy consumption accounts for almost 95% of Melexis' Scope 1 and 2 carbon footprint. That is why in 2022 we started a Sustainable Energy Program – an essential step to decarbonize Melexis own operations. The program is designed to be a triple win: increasing energy efficiency (thus cutting costs), responding to the global climate change challenge and ensuring long-term resilience of Melexis energy supply. The program is built on three key pillars:

1. Follow-up of energy consumption
2. Minimization of energy consumption
3. Transition to low- and zero-carbon energy

Below you will find the highlights of Melexis Sustainable Energy Program 2023, structured in accordance with these three pillars.

Follow-up of energy consumption

In the past years, we reported energy consumption on our three largest sites: Ieper, Erfurt and Sofia, which covers around 90% of Melexis' total consumption. In 2023, we increased the transparency of our energy reporting by splitting the energy consumed by source: renewable and non-renewable. In the table below, the total energy consumption of the three biggest Melexis sites, is shown.

Table: Total energy consumption on Melexis sites in Ieper, Erfurt and Sofia 2023 per source, MWh

Metric	Renewable	Non-renewable	Total
Energy consumption	**10,588**	**24,476**	**35,064**
% of energy consumption	**30%**	**70%**	**100%**

Based on the table above, 30% of energy used on Melexis largest sites comes from renewable sources. You can read more about Melexis low- and zero-carbon energy initiatives in the "Transition to low- and zero-carbon energy" section on the next page.

When comparing the year-over-year evolution of energy consumption, we observe an increase of 7,6% in comparison with 2022, mainly attributable to additional probing and reliability equipment installed on our site in Sofia to meet the projected growth of Melexis, as well as increased demand for complex solutions requiring more tests per device.

When it comes to energy intensity, we report on MWh per million sold products. For Ieper, Erfurt and Sofia Melexis energy intensity in 2023 is 19.7 MWh per million sold products. Compared to 2022, we observe an increase which can be attributed to reasons explained above.

Minimization of energy consumption

In 2023, we worked on multi-year plans to take a more holistic look at the energy efficiency of our buildings. In particular, in Erfurt we developed a 2023-2024 roadmap to improve insulation. In Sofia, we committed to the energy efficiency plan 2024-2026 of our older building to keep up with the climate-friendly new office completed in 2022.

As mentioned before, we are also expanding our premises, while keeping in mind their environmental footprint. In Kuching, Malaysia, the construction is in progress, and the building will be equipped with sustainable energy technologies such as solar panels, high-quality insulation and high-efficiency lighting. Another new location for Melexis is Sophia-Antipolis, France, where our plan is to renovate towards a climate-friendly building in 2024. The whole renovation project of this building embeds our ESG trajectory, such as low-carbon emission and resilience to climate risks. Reduction of energy consumption is one of the key requirements of the project, achieved with an improved thermal performance of the building. The thorough thermal simulations highlighted the best solutions to meet our goals. Main pillar is the thermal ceiling which, unlike traditional heating and cooling solutions, distributes warm or cool air evenly across an entire room, promoting a uniform indoor climate both in summer and in winter. Combined with insulation technologies of the roof, the windows and the interior walls, this design leads to both higher comfort and energy efficiency.

Construction works in Kuching, Malaysia

Exterior rendering Sophia-Antipolis, France

Transition to low- and zero-carbon energy

As shown in the table above, 30% of the energy consumed on the biggest sites of Melexis comes from renewable sources. A part of this energy is generated on-site. In addition to existing solar panels in Erfurt, Bevaix and Sofia, in 2023 we installed new ones in Ieper with an annual capacity of 255 kilowatt-peak. In Sofia, an additional 195 kilowatt-peak PV installation was approved for 2024. We are actively searching for opportunities to transition to low- and zero-carbon energy.

6.7.6 Other environmental performance data

We believe that we can only improve what we measure. So, notwithstanding our ISO 14001 certification as a low environmental impact company, we report our main environmental performance data for transparency. This data includes energy, described in detail in the previous section and water and waste.

Water

Since Melexis is a fabless semiconductor company, our own water consumption is limited, as well as its environmental impact. The water consumption on our three biggest sites Ieper, Erfurt and Sofia has decreased by more than 2% since last year. These three sites account for almost 85% (12,317 cubic meters) of Melexis' total water consumption in 2023.

Waste

Starting from 2023, we disaggregate waste by treatment type, as shown in the table below.

Table: Total waste generated on Melexis sites in Ieper, Erfurt and Sofia 2023, ton

Measure	Recycling	Incineration	Landfill & Destruction	Hazardous waste deposit & incineration	Other	Total
Total waste	**293,655**	**40,410**	**10,210**	**310**	**2**	**344,587**
% of total waste	**85%**	**12%**	**3%**	**<0.1%**	**<0.1%**	**100%**

At our three biggest sites, we recycle 85% of all our waste. We set annual targets for total waste reduction and aim to further improve this share.

6.7.7 EU Taxonomy

The EU Taxonomy is a classification system based on performance criteria that assess an economic activity's contribution towards six environmental objectives:

1. climate change mitigation
2. climate change adaptation
3. the sustainable use and protection of water and marine resources
4. the transition to a circular economy
5. pollution prevention and control
6. the protection and restoration of biodiversity and ecosystems

Regulation (EU) 2020/852 (the 'Taxonomy Regulation') was published in the Official Journal of the European Union on 22 June 2020 and entered into force on 12 July 2020. Technical screening criteria for each environmental objective are defined through delegated acts.

The Climate Delegated Act (Commission Delegated Regulation (EU) 2021/2139), as amended by Commission Delegated Regulation (EU) 2023/2485, lays out the technical screening criteria that define whether an economic activity substantially contributes to the objective of climate change mitigation or climate change adaptation. The Environmental Delegated Act (Commission Delegated Regulation (EU) 2023/2486) establishes the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems. These delegated acts also include minimum safeguards that must be secured for the other four environmental objectives of the Taxonomy, the so-called Do No Significant Harm (DNSH) criteria.

As from 1 January 2024, companies need to report on the eligibility and alignment of their activities regarding all six of the environmental objectives.

Eligible activities

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

An economic activity is deemed eligible where it matches the description set out in one of the delegated acts adopted by the Commission. For an activity to be eligible for climate change mitigation, the activity needs to have the objective of enabling a substantial reduction of GHG emissions in another sector of the economy.

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

To calculate the eligible *turnover*, we started from the financial data reported in accordance with the International Financial Reporting Standards (see chapter 8). The turnover in the denominator of the calculation covers the 'total revenue' mentioned in '8.2 Consolidated income statement'. Based on our financial system, we could allocate revenue directly to eligible green applications.

According to the Disclosures Delegated Act, *operating expenses* cover direct non-capitalized costs that relate to research and development (R&D), building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets. For the calculation of the eligible operating expenses, all R&D expenses and all non-R&D maintenance costs were taken into account. To define the operating expenses, we were able to link most of our R&D expenses directly to products with green applications via the financial system and distributed pro rata compared to the sales proportion of our products for sustainable applications, for the remainder of the eligible operating expenses.

The Disclosures Delegated Act defines *capital expenses* as additions to tangible and intangible assets during the financial year considered before depreciation, amortization and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. The capital expenses in the denominator of the calculation covers the 'Purchase of property, plant and equipment' and the 'Purchase of intangible assets' as mentioned in chapter 8.5 'Consolidated statement of cash flows'. Capital expenses have been allocated to products for green applications where there is a direct link, and pro rata compared to the sales proportion for green applications for the remainder of the manufacturing investments.

With regard to the five other environmental objectives, Melexis has no Taxonomy-eligible economic activities.

Aligned activities

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

- contributes substantially to one or more of the environmental objectives of the EU Taxonomy
- does not significantly harm any of the other environmental objectives of the EU Taxonomy
- is carried out in compliance with the minimum safeguards.

To contribute substantially to climate change mitigation, the economic activity must manufacture technologies that are aimed at and demonstrate substantial lifecycle GHG emission savings compared to the best performing alternative technology/product/solution available on the market. The GHG reduction across the lifecycle could be evaluated based on product lifecycle emissions and applications.

The semiconductor industry heavily relies on the use of chemicals. The current wording regarding the aspect of pollution prevention and control has given rise to a number of ongoing issues. An economic activity may not lead to the manufacture, placing on the market, or use of certain chemicals in order to be Taxonomy-aligned. The Climate Delegated Act refers to other existing EU legislation that regulates the use of certain chemicals (REACH and RoHS). Melexis complies with these legislative requirements. However, the Climate Delegated Act in its current form does not appear to allow for the existing exemptions and derogations for the use of certain chemicals in very specific cases. Several industry associations have already addressed this issue to the European Commission.

Due to these legal uncertainties regarding the DNSH criteria of Pollution prevention and control and the fact that Melexis is still in an early stage of product lifecycle assessments, we classify our activities as non-aligned.

Turnover

				Substantial contribution criteria						DNSH criteria ('Does not significantly harm')									
Economic Activities	Code(s)	Absolute turnover	Proportion of turnover 2023	Climate change miti-gation	Climate change adap-tation	Water	Circular economy	Pollution	Bio-diversity	Climate change miti-gation	Climate change adap-tation	Water	Circular economy	Pollution	Bio-diversity	Minimum safe-guards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover 2022	Category (enabling activity)	Category (tran-sitional activity)
		in 1,000 EUR	in %	in %	in %	in %	in %	in %	in %	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	in %	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0														0		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manu-facture of other low carbon technolo gies	3.6	561,786	58														55		
Turnover of taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		561,786	58														55		
Total (A.1 + A.2)		561,786	58														55		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		402,512	42														45		
Total (A+B)		964,298	100														100		

Opex

				Substantial contribution criteria						DNSH criteria ('Does not significantly harm')									
Economic Activities	Code(s)	Absolute OpEx	Proportion of OpEx 2023	Climate change miti-gation	Climate change adap-tation	Water	Circular economy	Pollution	Bio-diversity	Climate change miti-gation	Climate change adap-tation	Water	Circular economy	Pollution	Bio-diversity	Minimum safe-guards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx 2022	Category (enabling activity)	Category (tran-sitional activity)
		in 1,000 EUR	in %	in %	in %	in %	in %	in %	in %	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	in %	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0														0		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of other low carbon technologies	3.6	63,905	52														51		
OpEx of taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		63,905	52														51		
Total (A.1 + A.2)		63,905	52														51		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities (B)		59,320	48														49		
Total (A+B)		123,225	100														100		

Capex

				Substantial contribution criteria						DNSH criteria ('Does not significantly harm')									
Economic Activities	Code(s)	Absolute CapEx	Proportion of CapEx 2023	Climate change miti-gation	Climate change adap-tation	Water	Circular economy	Pollution	Bio-diversity	Climate change miti-gation	Climate change adap-tation	Water	Circular economy	Pollution	Bio-diversity	Minimum safe-guards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx 2022	Category (enabling activity)	Category (tran-sitional activity)
		in 1,000 EUR	in %	in %	in %	in %	in %	in %	in %	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	in %	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0														0		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of other low carbon technologies	3.6	52,826	56														54		
CapEx of taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		52,826	56														54		
Total (A.1 + A.2)		52,826	56														54		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities (B)		41,964	44														46		
Total (A+B)		94,790	100														100		

6.8 RESPONSIBLE SUPPLY CHAIN

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

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

6.8.1 How we select and evaluate suppliers

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

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

Key suppliers in the field of bill-of-material (for wafers and assembly) are evaluated on a quarterly basis on several metrics and foster dialogue between Melexis and the supplier on potential improvement plans. In 2023, we started cooperating with new assembly suppliers and worked on a similar methodology for key equipment (machinery) suppliers.

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

6.8.2 How we manage supply chain risks and business continuity

Melexis works with numerous suppliers for which we do not always have an alternative source available. A robust process is in place to safeguard the continuity of supply for critical processes and products. We have, however, rolled out a new supply risk approach. Where we changed our risk assessment (data driven risk-assessment, based on customer impact), we have mapped a full second, third and sometimes beyond supply chain tier of our bill of material suppliers. Next to this we mapped the bill of process of most of our key supplier production lines. In light of geopolitical changes, we reinforce our dual sourcing strategy with several activities, identified on the basis of a continuous evaluation of our spend portfolio, supply risk and business importance. The result of this assessment is a Business Continuity Program program (BCP) where we've defined five top contingency priorities. These five contingency projects are in execution and will help Melexis to improve its supply towards our customers.

Throughout 2023, Melexis continued to face an upsurge in demand and a limitation of supply, longer lead times and increased costs at our suppliers. A delicate balancing act was and remains needed in order to support our suppliers to increase their capacity and, at the same time, match that capacity with the demand of our customers to ensure no overinvestments are being made.

Next to this, we activated a dual sourcing strategy for tier 1 and tier 2 for key products and customers, which will help us to reduce our dependency on single supplier performance, allowing Melexis to approach the supplier market in a more flexible and agile manner for the benefit of our customers.

In 2023, we also continued our support to suppliers through our direct contacts with material suppliers, increasing leverage and bringing business visibility. And finally, we have increased the dual sourcing availability and flexibility of our suppliers with sub suppliers. The importance we attach to dual sourcing and business contingency plans will continue in 2024 and beyond.

With regard to production continuity in 2023, our global business continuity response team has defined clear links between any incident's investigation and the escalation path for its impact on operations. In local sites, we have improved and standardized our production assessment process, in which local teams evaluate the possible consequences of an event and its impact on our equipment and subsequently on our production output.

Melexis closely follows any geopolitical situation that may affect our business continuity. For example, to improve our lead time and proximity to our Chinese customers, we extended the cooperation with new China-based suppliers in 2023.

Last year we continued to monitor the financial robustness of suppliers. We apply a more formal supplier tracking methodology in collaboration with our finance department to document and track key financial parameters of our key suppliers with the goal to detect early warning signs or changes in their financial situation.

On a regular basis there are interactions with Maria Pia De Caro, member of the Board of Directors. Her expertise in supply chain management provides us with useful and practicable insights.

6.8.3 Supplier social and environmental assessment

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

All key suppliers[4] are required to sign a quality agreement that states, among others, that they ensure that all relevant laws and regulations are known, understood and implemented. Suppliers must prove they respect the protection of internationally proclaimed human rights for all, including the basic human rights of employees within their supply chain.

We follow up on this with a bi-annual CSR questionnaire that is sent to all our direct and indirect suppliers in the format of a self-assessment. The next edition will come in 2024.

In 2023, we initiated an ESG supplier program to meet the CSRD requirements, which will result in an updated Melexis supplier ESG policy, an ESG mapping based on supplier materiality assessment, A CO2-footprint (Scope 3) mapping, an updated supplier specific code of conduct, adjusted supplier ESG governance, new ESG supplier KPI and ESG complaint sourcing and performance processes and procedures. We successfully engaged in a more extensive survey, asking key suppliers to acknowledge the Melexis supplier code of conduct, their export control, supply chain security, global trade and information security. For 2024 we will focus on a closer cooperation with our key suppliers to meet the standards we have set in the supplier ESG policy.

Melexis proactively undertakes due diligence and continuous monitoring of its supply chain to avoid direct or indirect procurement of conflict minerals. Our products do not contain any conflict minerals (gold, tantalum, tungsten and tin) mined from the Eastern Democratic Republic of Congo (DRC) and its adjoining countries, as defined in Section 1502 of the **Dodd-Frank Wall Street Reform and Consumer Protection Act** and its affiliated laws or regulations. Suppliers must also work diligently with other, third-party suppliers to systematically address the process for sourcing minerals that are conflict-free.

Melexis confirms that all products supplied to Melexis customers do not contain 'intentionally introduced' lead, cadmium, mercury, hexavalent chromium, poly-brominated biphenyls (PBB), Bis (2-ethylhexyl) phthalate (DEHP), Butyl benzyl phthalate (BBP), Dibutyl phthalate (DBP) and Diisobutyl phthalate (DIBP) or polybrominated diphenyl ethers (PBDE) as defined in the **Restrictions on Hazardous Substances (RoHS)** EU Directive 2011/65/EU and the Commission's Delegated Directive (EU) 2015/863 of 31 March 2015 amending Annex II to Directive 2011/65/EU unless exempted by regulation.

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

We also respect the so-called '**Green Packaging**' that is integrally linked to the **Lead-Free Movement**. Green packaging endeavors to remove all toxic substances from product packages. This includes notably the bromine-antimony complexes that are universally applied as additives to the mold compound, in order to guarantee the required fire retardancy. In terms of packaging, Melexis defines green products as those which are RoHS compliant, are halogen-free according to the IEC61249-2-21 definition (900 ppm max. bromine, 900 ppm max. chlorine and 1,500 ppm max. total halogen (Br+Cl)) and contain less than 900 ppm antimony trioxide (Sb2O3). Melexis confirms that all the green products we

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

supply to our customers do not contain any halogen as defined under IEC 61249-2-21. Hence, any material used in the assembly process of semiconductor packages follows the limits that are imposed by the Lead-Free Movement, RoHS and 'Green Packages'. More information can be found on www.melexis.com/en/tech-info/quality/environmental-forms-and-declarations/environmental-topics/green-packaging-halogenfree.

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

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

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

Melexis is familiar with the threats that PFAS (Per-and polyfluoroalkyl substances) pose. The evaluation and risk management ongoing, we will continue the requirements of the existing and new legislation.

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

Melexis is a global supplier of micro-electronic semiconductor solutions and stands for engineering that enables the best imaginable future - a future which is safe, clean, comfortable and healthy. As such, Melexis does not develop any products that could do harm, and Melexis does not want to contribute to any harmful applications of its products. This ethical principle is included in the Melexis Code of Conduct, as well as in the Melexis General Terms and Conditions.

6.9 OUR BUSINESS ETHICS

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

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

Via various channels, including the ESG newsletter, continuous awareness regarding the Code of Conduct is created, this to ensure commitment to the Code of Conduct of all our employees. When new hires are onboarded, they receive a training module during their induction program. Via the training material about the Code of Conduct on our learning tool on the Melexis University platform all Melexis employees can refresh their knowledge on the Code of Conduct at any time. Sessions are also organized for all our colleagues in production, where relevant topics of our Code of Conduct are explained. End of 2023, we created a new quiz with questions on certain topics related to the Code of Conduct. Since its rollout, close to 85% of our colleagues already successfully participated in this quiz.

Melexis puts continuous efforts in enhancing our global business ethics training program.

6.9.1 Human rights, child labor and forced or compulsory labor

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

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

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

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

6.9.2 Anti-corruption and anti-bribery

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

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

Therefore, any agreement or understanding regarding favors or benefits in exchange for gifts will not be accepted by Melexis. Exceptions to this rule are only allowed for gifts of minimal value, given in the ordinary course of business, that do not result in any (impression of) partiality towards the gifting party. Melexis requires full disclosure of and prior relevant clearance for any gift that is not of minimal value or that may result in an impression of bias. For the 2023 reporting period, Melexis has not seen any incidents in this matter. Our employees have adopted the right mindset by requesting guidance from the legal department when in doubt about the appropriateness of gifts.

Melexis will also not pay or offer bribes or illicit payments to government officials, candidates or any other party in order to obtain or retain business. Melexis colleagues will not assist others in profiting from opportunities discovered through their affiliation with Melexis and which should normally be served by Melexis. Melexis does not allow any personal relationship with a customer, supplier or competitor, in which personal interests conflict or might appear to conflict with that of the company. In case of a family (or any other personal) relationship, management must always be informed to avoid any conflict of interest.

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

Melexis has seen no incidents of corruption in the 2023 reporting period. Melexis remains vigilant, engaged and willing to deal with all significant risks that might present themselves.

6.9.3 Anti-competitive behavior

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

6.9.4 Respect for privacy

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

Melexis has not received any substantiated complaints concerning breaches of **customer privacy**, neither from outside parties or from regulatory bodies during the reporting period. Similarly, Melexis has not identified any reportable leaks, thefts, or losses of customer data during the 2023 reporting period. However, we remain vigilant and keep actively investigating all privacy-related information processes and subsequent improvements.

In 2023, Melexis did not receive any substantiated complaints concerning breaches of **employee privacy.** Following a compliance exercise, we had already adopted all relevant GDPR guidelines. By means of our internal privacy policy, employees know they can exercise their right to request access to their data. We are currently taking all actions required to implement the new Chinese privacy legislation.

6.9.5 Speak-up at Melexis

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

Our speak-up policy has been updated in accordance with the EU Whistleblowing Directive and national legislation to ensure that our colleagues, but also external stakeholders, have complete knowledge of how and where to report their concerns and how their reports will be processed. Melexis has furthermore introduced a reporting tool, accessible by internal as well as external stakeholders, to ensure anonymous reporting and follow-up, in case there is the wish to stay anonymous throughout the full process of the complaint.

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

In 2023, two persons spoke up via the existing reporting mechanisms in Melexis. One case was related to a potential non-compliance with the Melexis supplier selection process. The case has been reviewed in a confidential manner and due to proactive interaction Melexis was able to ensure compliance with its supplier selection process. After carefully and confidentially investigating the second report made under our speak-up policy, Melexis determined that its Code of Conduct had not been violated.

All details of our global Speak Up Policy and reporting tool are publically available on our website and can be found on www.melexis.com/en/legal/whistleblowing

7 OUR CORPORATE GOVERNANCE

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

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

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

7.1 SHAREHOLDERS

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

Furthermore, Melexis is committed to guaranteeing shareholder rights:

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

7.2 MANAGEMENT STRUCTURE

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

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

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

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

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

7.3. BOARD OF DIRECTORS

Composition

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

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

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

The Directors of Melexis are:

Name	Age	Expiry mandate	Position
Françoise Chombar	61	2026	Chair and non-executive director
Marc Biron	53	2025	Managing director, CEO
Roland Duchâtelet	77	2026	Non-executive director
Shiro Baba	74	2025	Non-executive and independent director
Martine Baelmans	59	2026	Non-executive and independent director
Maria Pia De Caro	53	2025	Non-executive and independent director

Board of Directors

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

Ms. Françoise Chombar served as planning manager at Elmos GmbH (Germany) from 1985 to 1989. From 1989 she served as operations manager and director at several companies within the Elex group. In 1994, she was appointed Chief Operating Officer of Melexis. Ms. Chombar became director in 1996. In 2004, Ms. Chombar was appointed co-managing director and chief executive officer. After the resignation of Mr. Rudi De Winter, mid February 2011, as managing director and chief executive officer, Ms. Chombar continued these functions until August 2021. In 2021, she was appointed as Chair of Melexis' Board of Directors. Ms. Chombar is currently independent board member at Umicore, a global materials technology and recycling group, and a member of its remuneration/nomination and sustainability committees. She is independent member of the board and the ESG/strategy committees of Soitec, a company specialized in developing and manufacturing semiconductor substrates. In September 2023, she became independent board member of Smart Photonics, a privately held InP foundry in the Netherlands. She is managing director of Sensinnovat BV, a minority shareholder of Melexis, and non-executive director of several of its non-listed portfolio companies. Ms. Chombar is also president of the STEM platform, an advisory board to the Flemish government, aiming to encourage young people to pursue an education in science, technology, engineering or mathematics and to promote the importance of STEM to the general public. She holds a master's degree in Applied Languages from the University of Ghent.

Mr. Roland Duchâtelet has been a private shareholder of the company since April 1994 and has served as a director ever since. Prior to that date, Mr. Duchâtelet served in various positions in production, product development and marketing for several large and small companies. He contributed to the start-up of two other semiconductor manufacturers: Mietec Alcatel (Belgium) from 1983 to 1985 as business development/sales manager and Elmos GmbH (Germany) from 1985 to 1989 as marketing manager. Mr. Duchâtelet holds a degree in electronic engineering, a degree in applied economics and an MBA from the University of Leuven.

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

Mr. Shiro Baba has 38 years of professional and management experience in different fields related to the semiconductor business. He started his career in 1975 with the semiconductor division of Hitachi. As from 1999, he held several general management positions within the

Hitachi semiconductor division. From 2003 until 2009, Mr. Baba was employed by Renesas Technology Corp. as general manager of the automotive semiconductor business unit, among others, and later as board director and senior VP. His last mandate was president and CEO of Hitachi ULSI Systems Co. before retiring in 2013. In April 2013, Mr. Baba was appointed independent director of Melexis. Mr. Baba obtained a master's degree in electrical and physical engineering from the Tokyo Institute of Technology and in electrical engineering from Stanford University.

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

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

Appointment and replacement of directors

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

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

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

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

Functioning of the Board of Directors

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

In 2023, the Board convened ten (10) times and treated, among others, the following topics:

- Financial results of the Group
- Financial and legal risks to which the Group is exposed
- Strategic review
- Dividend policy
- Budget for the next financial year
- Expansion in Malaysia
- Supply chain
- Share agreement Xpeqt NV
- Operational advance payments to X-FAB
- Changes to shareholding structure
- Recommendations of the Audit Committee and the Nomination and Remuneration Committee
- CSRD / ESG Committee.

Evaluation of the Board and its Committees

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

In the evaluation, special attention is paid to:

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

- The individual contribution of each member of the Board.

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

7.4 COMMITTEES

Audit Committee

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

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

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

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

The Audit Committee met four (4) times in 2023. All members were present at all the meetings.

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

- Statutory audit fees
- Reports of the statutory auditor
- Internal audit updates
- ESG / CSRD
- Code of Conduct.

Nomination and Remuneration Committee

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

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

The Nomination and Remuneration Committee met two (2) times in 2023. All members were present at all the meetings.

In addition to the exercise of its legal powers and the duties listed in the Melexis Corporate Governance Charter, in 2023 the Nomination and Remuneration Committee reviewed, among others:

- Remuneration and variable remuneration of the Executive Management
- Assessment of the variable remuneration of the CEO
- HR strategy and policies
- Engagement Survey
- Evaluation of the Executive Management team and succession planning.

7.5 EXECUTIVE MANAGEMENT

Composition

The Executive Management is composed of the following members[5]:

Name	Age	Position
Marc Biron	53	Chief Executive Officer
Kristof Coddens	53	VP Artificial Intelligence / VP Sense & Light[6]
Antonius Duisters	56	VP Sense & Drive
Karen van Griensven	53	Chief Financial Officer
Vincent Hiligsmann	53	VP Corporate Strategy - Global Sales, Brand & Communication
Veerle Lozie	50	Chief Operations and Information Officer
Damien Macq[7]	57	VP Sense & Light
Nicolas Simonne	49	VP Development & Quality

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

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

7.6 REMUNERATION REPORT

[5] Certain members are representatives of private companies with limited liability (BV/SRL).
[6] On 31 March 2023, Mr. Coddens took over the position of VP Sense & Light from Mr. Damien Macq.
[7] Until 31 March 2023.

Introduction

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

Total remuneration

The application of the remuneration policy during 2023 for the directors and executives lead to the effective remuneration as shown in the table on the next page.

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

in EUR

Name - position	1. Fixed remuneration			2. Variable remuneration		3. Extra-ordinary items	4. Pension expense	5. Total remuneration	6. Proportion of fixed and variable remune-ration
	Base salary	Fees	Other benefits	One-year variable	Multi-year variable				
Françoise Chombar - Non-executive director	–	–	–	–	–	–	–	–	Fixed: - Variable: -
Roland Duchâtelet - Non-executive director	–	–	–	–	–	–	–	–	Fixed: - Variable: -
Shiro Baba - Independent director	20,000	–	–	–	–	–	–	20,000	Fixed: 100% Variable: 0%
Martine Baelmans - Independent director	20,000	–	–	–	–	–	–	20,000	Fixed: 100% Variable: 0%
Maria Pia de Caro - Independent director	20,000	–	–	–	–	–	–	20,000	Fixed: 100% Variable: 0%
Marc Biron - Executive director	–	–	–	–	–	–	–	–	Fixed: - Variable: -
Marc Biron Consulting BV, permanently represented by Marc Biron - Executive, CEO	381,667	–	–	95,417	59,896	–	–	536,980	Fixed: 71.08% Variable: 28.92%
Executive Management excl. Marc Biron Consulting BV, CEO	1,591,206	–	9,031	416,967	285,890	–	96,494	2,399,588	Fixed: 70.71% Variable: 29.29%

Application of the performance criteria

a. CEO

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

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

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

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

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

The results for performance year 2023 are shown in the table below. Compared to 2022, the revenue growth was 15% while the EBIT growth was 15%. This means that 100% of the short-term cash bonus will be paid out.

in EUR

Marc Biron Consulting BV performance criteria	a	Minimum threshold performance	a	Maximum performance	a	Measured performance	Total short-term cash bonus incl. discretionary increases
	b	Corresponding remuneration	b	Corresponding remuneration	b	Actual remuneration outcome	
Target revenue growth and EBIT growth	a	Revenue and EBIT growth <10%	a	Revenue and EBIT growth >15%	a	EBIT growth: 15% Revenue growth: 15%	Discretionary increases (if applicable)
	b	0	b	95,417	b	95,417	0
TOTAL BONUS							95,417

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

The results for performance year 2023 are shown in the table below. Compared to 2021, the revenue growth was 50% while the EBIT growth was 76%. This means that 100% of the medium-term cash bonus will be paid out.

in EUR

Marc Biron Consulting BV performance criteria	a	Minimum threshold performance	a	Maximum performance	a	Measured performance
	b	Corresponding remuneration	b	Corresponding remuneration	b	Actual remuneration outcome
Target revenue growth and EBIT growth	a	Revenue and EBIT growth <10%	a	Revenue and EBIT growth >15%	a	EBIT growth: 76% Revenue growth: 50%
	b	0	b	44,271	b	44,271
TOTAL BONUS						**44,271**

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

The results for performance year 2023 are shown in the table below. Compared to 2020, the revenue growth was 90% while the EBIT growth was 246%. This means that 100% of the long-term cash bonus will be paid out.

in EUR

Marc Biron Consulting BV performance criteria	a	Minimum threshold performance	a	Maximum performance	a	Measured performance
	b	Corresponding remuneration	b	Corresponding remuneration	b	Actual remuneration outcome
Target revenue growth and EBIT growth	a	Revenue and EBIT growth <10%	a	Revenue and EBIT growth >15%	a	EBIT growth: 246% Revenue growth: 90%
	b	0	b	15,625	b	15,625
TOTAL BONUS						**15,625**

b. Other members of the Executive Management

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

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

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

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

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

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

The results for performance year 2023 are shown in the table below. Compared to 2022, the revenue growth was 15% while the EBIT growth was 15%. This means that 100% of the short-term cash bonus will be paid out.

in EUR

Performance criteria	a / b	Minimum threshold performance / Corresponding remuneration	a / b	Maximum performance / Corresponding remuneration	a / b	Measured performance / Actual remuneration outcome	Total short-term cash bonus incl. discretionary increases
Target revenue growth and EBIT growth	a	Revenue and EBIT growth <10%	a	Revenue and EBIT growth >15%	a	EBIT growth: 15% Revenue growth: 15%	discretionary increases (if applicable)
	b	0	b	214,287	b	214,287	–
Individual/team performance (+ individual discretionary)							
	b	0	b	214,287	b	202,681	–
TOTAL BONUS							**416,968**

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

The results for performance year 2023 are shown in the table below. Compared to 2021, the revenue growth was 50% while the EBIT growth was 76%. This means that 100% of the medium-term cash bonus will be paid out.

in EUR

Performance criteria	a / b	Minimum threshold performance / Corresponding remuneration	a / b	Maximum performance / Corresponding remuneration	a / b	Measured performance / Actual remuneration outcome
Target revenue growth and EBIT growth over two financial years	a	Revenue and EBIT growth <10%	a	Revenue and EBIT growth >15%	a	EBIT growth: 76% Revenue growth: 50%
	b	0	b	150,549	b	150,549
TOTAL BONUS						**150,549**

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

The results for performance year 2023 are shown in the table below. Compared to 2020, the revenue growth was 90% while the EBIT growth was 246%. This means that 100% of the long-term cash bonus will be paid out.

in EUR

Performance criteria						
	a	**Minimum threshold performance**	**a**	**Maximum performance**	**a**	**Measured performance**
	b	**Corresponding remuneration**	**b**	**Corresponding remuneration**	**b**	**Actual remuneration outcome**
Target revenue growth and EBIT growth over three financial years	a	Revenue and EBIT growth <10%	a	Revenue and EBIT growth >15%	a	EBIT growth: 246% Revenue growth: 90%
	b	0	b	135,341	b	135,341
TOTAL BONUS						**135,341**

Share-based remuneration

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

Evolution of the remuneration and performances of Melexis

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

	2019	2020	2021	2022	2023
Annual change in the remuneration of directors and members of the Executive Management					
Fixed remuneration	6.3%	-7.0%	5.0%	17.4%	-18.1%
Variable remuneration	-2.3%	-35.0%	155.3%	28.3%	-8.4%
Total remuneration	4.8%	-11.5%	22.9%	26.8%	-20.1%
Annual change in the developments and performances					
Performance criteria (EBIT)	-49.0%	6.9%	96.5%	52.6%	15.3%
Performance criteria (revenue)	-14.5%	4.2%	26.9%	29.9%	15.3%
Net profit	-47,8%	15,0%	89,2%	50.3%	6.2%
Annual change in the average remuneration of employees*					
	0.7%	4.7%	3.9%	0.7%	4.7%

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

In 2023 the pay-ratio between the highest and lowest remuneration was 88 to 1.

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

Severance payments

No severance payments were paid in 2023.

Use of claw-back provisions

In 2023, no claw-back occurred.

Deviations from the remuneration policy

In 2023 there were no deviations from the remuneration policy as published on the website.

Vote of the shareholders

The annual shareholders' meeting of 9 May 2023 has approved the remuneration report regarding the financial year ending on 31 December 2022 with a 94.75% majority of the validly cast votes. As the remuneration report was approved by a large majority and Melexis still believes in the principles included therein, Melexis will retain its remuneration policy.

7.7 POLICY ON CERTAIN TRANSACTIONS

Conflicts of interest in the Board of Directors

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

In 2023, the conflicts of interest procedure as per article 7:96 BCCA was applied at Board level twice:

1. Operational advance payments by Melexis Technologies NV (0467.222.076) to companies of the X-Fab Silicon Foundries SE group (0882.390.885).

Excerpt from the minutes of the meeting of the Board of Directors of 26 April 2023:

"Ms. Françoise Chombar and Mr. Roland Duchâtelet declare having interests of a patrimonial nature that may conflict with that of the Company with regard to article 7:96 BCCA for the decisions regarding agenda items 3 and 4. The legislation regarding conflicts of interest under article 7:96 BCCA shall therefore be applied for agenda items 3 and 4, and the auditor of the company shall be informed.

(...)

Given the recent imbalance in supply vs demand in the automotive market for 8 inch technology, Melexis Technologies NV (Melexis Technologies), had to introduce new ways of contracting over the last years. In line with its industry, this was done via long-term agreements (LTAs) with several suppliers, including its main wafer supplier (the X-Fab Silicon Foundries Group (X-Fab)). The main aim of these LTAs is to secure volumes and more predictable pricing.

On 1 July 2022, Melexis entered into an LTA with several entities of X-Fab covering the years 2023-2025 and related to the 350 nm and 180 nm technology. On 6 February 2023, Melexis entered into an LTA with X-Fab France SAS covering the years 2024-2027 and related to the 110 nm technology.

X-Fab indicated that these LTAs require capacity expansions. Melexis Technologies agreed to investigate to which extent it can provide partial financial support in exchange for the capacity reservation. To this end, the parties wish to enter into a separate arrangement via addendum to the aforementioned LTAs (the Addenda). A draft of the Addenda is added as Annex 2 to these minutes.

The financial support shall take the form of an operational advance payment for an amount of 15% of the reserved wafer capacity by Melexis Technologies (the Advance Payment).

(...)

Agenda item 3: Discussion and approval pursuant to article 7:97 BCCA of the operational advance payment by Melexis Technologies NV to companies of the X-Fab group

Pursuant to article 7:96 and 7:97 BCCA, Ms. Françoise Chombar and Mr. Roland Duchâtelet leave the meeting at the time of deliberation and decision regarding agenda items 3 and 4.

In summary, the patrimonial consequences of the Advance Payments and the Addenda for the Company are the following:

- Following the Advance Payment for a total amount of around EUR 189.2 million, 2023 will be cash flow negative; 2024 cash should be break even, and 2025 and beyond should be cash positive (all other circumstances remaining the same).

- Expectations are that the maximum net debt level will be at around EUR 160 million (Q2/24 & Q2/25) and around EUR 120 million at the end of 2023. The total debt capacity is currently EUR 300 million (reduced to EUR 275 million at the end of 2024).

- The net debt/EBITDA ratio is expected to be less than 1, which is not a problem in terms of bank covenants stipulating a maximum net debt/EBITDA ratio of 3.5.

- Solvency is expected to remain above 60%, which is not a problem in terms of bank covenants stipulating a minimum solvency of 30%.

- With the Advance Payments, Melexis Technologies is exposed to X-Fab's credit risk (and that of the companies of the group). This credit risk decreases as wafers are delivered.

The Board of Directors is of the opinion that the Advance Payment is in the interest of the Company. It allows the Company to reserve wafer capacity at its most important supplier and to set predictable prices. The proposed conditions are at arm's length. The directors confirm having no further questions or comments regarding the proposed decisions.

DECISION: After thorough perusal of the Advice, the proposal regarding the Advance Payment and the Addenda, the Board of Directors decides to approve the adherence by Melexis

Technologies into the Addenda and the amount and conditions of the Advance Payment provided therein.

<u>Agenda item 4: Discussion and approval of the Press Release pursuant to article 7:97, §4/1 BCCA</u>

Pursuant to article 7:97, §4/1 BCCA, the Company shall immediately publicly disclose the decision taken under agenda item 3. To this end, a draft was prepared which is added as Annex 3 to these minutes and which was provided to all directors beforehand.

The directors have no further comments on the draft.

DECISION: The Board of Directors approves the Press Release."

2. Transaction and share agreement Xpeqt NV (0463.456.496)

Excerpt from the minutes of the meeting of the Board of Directors of 29 September 2023:

"Ms. Françoise Chombar and Mr. Roland Duchâtelet declare having interests of a patrimonial nature that may conflict with that of the Company with regard to article 7:96 BCCA for the decisions regarding agenda items 3 and 4. The legislation regarding conflicts of interest under article 7:96 BCCA shall therefore be applied for agenda items 3 and 4, and the auditor of the company shall be informed.

(...)

<u>Agenda item 3: Discussion and approval pursuant to article 7:97 BCCA of the Transaction and the Share Transfer Agreement.</u>

Pursuant to article 7:96 and 7:97 BCCA, Ms. Françoise Chombar and Mr. Roland Duchâtelet leave the meeting at the time of deliberation and decision regarding agenda items 3 and 4.

In summary, the patrimonial consequences of the Transaction and the Share Transfer Agreement are as follows:

Melexis intends to buy all shares in the share capital of Xpeqt NV at a price amounting to EUR 13.7 million. Taking into account the latent capital gain on the building owned by Xpeqt EOOD, this price is close to Xpeqt NV's consolidated equity value. The price is substantiated by a discounted cash flow (DCF) valuation model. Cash financing of (around) EUR 8.7 million is needed.

The Board of Directors is of the opinion that the Transaction is in the interest of Melexis, as it allows full ownership over its main test system (in-house equipment and test solutions), which is of strategic importance to Melexis. The proposed conditions are at arm's length.

The directors confirm having no further questions or comments regarding the proposed decisions.

DECISION: Following a thorough perusal of the Advice, the proposal regarding the Transaction and the Share Transfer Agreement, the Board of Directors decides to approve the entry by Melexis Technologies into the Share Transfer Agreement and the amount and conditions of the Transaction."

<u>Agenda item 4: Discussion and approval of the Press Release pursuant to article 7:97, §4/1 BCCA</u>

Pursuant to article 7:97, §4/1 BCCA, the Company shall immediately publicly disclose the decision taken under agenda item 3. To this end, a draft was prepared which is added as Annex 3 to these minutes and which was provided to all directors beforehand.

The directors have no further comments on the draft.

DECISION: The Board of Directors approves the Press Release."

Related parties transactions

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

In 2023, the aforementioned procedure regarding related parties transactions pursuant to article 7:97 BCCA was applied twice:

1. On 26 April 2023, Melexis published a communication pursuant to article 7:97 BCCA (available at https://www.melexis.com/en/news/2023/financial/application-article-7-97-belgian-code-companies-associations).

2. On 29 September 2023, Melexis published a communication pursuant to article 7:97 BCCA (available at www.melexis.com/en/news/2023/financial/application-article-7-97-belgian-code-companies-associations-september).

Other transactions with directors and Executive Management

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

In 2023, there were no transactions between the company and its directors or a member of the Executive Management involving a conflict of interest. All related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

Insider trading

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

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

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

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

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

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

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

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

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

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

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

- Risks that the company is confronted with are detected and monitored with the responsible persons of the different functions of the company.
- By using an automated ERP system, the responsible persons of the functions have permanent access to the financial information with regard to their function for monitoring, controlling and directing purposes with regard to their business activities.
- Closing the accounts at the end of every month warrants that the financial consequences of the identified risks are monitored closely to be able to anticipate possible adverse evolutions.

- The financial results are also reviewed monthly on a global level.
- A data protection system based on antivirus software, internal and external backup of data and the controlling of access rights to information, protects the company's information and guarantees the continuity of the financial reporting. The adequacy and integrity of these IT systems and procedures are reviewed regularly.
- In accordance with the 2020 Belgian Code on Corporate Governance, Melexis has set up an internal audit function, whose resources and skills are adapted to assess the financial reporting and the risk management of the company. The Audit Committee receives a periodic summary of the internal audit activities.

7.9 ELEMENTS PERTINENT TO A TAKE-OVER BID

Capital structure

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

Restrictions on the transfer of securities

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

Restrictions on the exercise of voting rights

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

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

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

Agreements among shareholders

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

Amendments to the Articles of Association

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

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

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

The Board of Directors is authorized by the Extraordinary General Meeting of 29 November 2023 to acquire own shares of the company, either directly or by a person acting in his or her own name but on behalf of the company or by a direct subsidiary within the meaning of Article 1:14, §2, 1°, 2° and 4° of the Belgian Code of Companies and Associations. The company is subject to the following conditions for the acquisition of own shares in the context of Article 7:215 of the Belgian Code of Companies and Associations:

- This authorization allows the company to acquire a maximum of 20% of its own securities on or off the stock exchange.
- The acquisition of a share in the framework of this authorization must take place at a unit price which will comply with the legal requirements, but which will in any case not be more than 10% below the lowest closing price of the last thirty trading days prior to the acquisition and not more than 5% above the highest closing price of the last thirty trading days prior to the acquisition.
- The compensation for the acquisition of these own shares may not exceed the company's resources that, in accordance with Article 7:212 of the Belgian Code of Companies and Associations, are eligible for distribution.
- The acquisition of the shares in the framework of this authorization will entail the immediate creation of a non-

distributable reserve 'acquisition of own shares' equal to the global purchase price of the acquired shares, and this by means of a withdrawal from the available profit reserve. The creation of a non-distributable reserve is only mandatory if and for as long as the shares are held in portfolio.

This authorization is valid for a period of five (5) years from the publication of this decision in the Belgian Official Journal (20 December 2023).

The company can dispose of own shares in accordance with article 7:218 of the Belgian Code of Companies and Associations.

On 31 December 2023, the Melexis Group was not in the possession of any shares in the registered capital of the company.

Termination of management agreements

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

Other elements

The company has not issued securities with special control rights. No agreements have been concluded between the company and its directors or employees providing for a compensation if, as a result of a take-over bid, the directors resign or are made redundant without valid reason or if the employment of the employees is terminated.

7.10 AUDITOR

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

7.11 COMPLIANCE WITH THE 2020 BELGIAN CODE ON CORPORATE GOVERNANCE

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

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

8 FINANCIAL REPORT

TABLE OF CONTENTS

8.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in EUR

31 December		2023	2022
ASSETS			
Current assets:	Cash, and cash equivalents (Note 8.9.5.A)	39,348,841	85,080,008
	Current investments, derivatives (Note 8.9.5.B)	—	12,500,754
	Accounts receivable - trade (Note 8.9.5.C)	120,203,248	107,547,507
	Accounts receivable - related companies (Note 8.9.5.D)	3,095	1,285,880
	Assets for current tax (Note 8.9.5.E)	3,727,334	1,593,576
	Inventories (Note 8.9.5.F)	254,348,153	179,648,793
	Other current assets (Note 8.9.5.G)	32,429,173	20,078,633
Total current assets		**450,059,843**	**407,735,150**
Non-current assets:	Deferred tax assets (Note 8.9.5.E)	33,331,820	27,832,233
	Other non-current assets (Note 8.9.5.H)	181,233,403	2,369,107
	Property, plant and equipment (Note 8.9.5.I)	195,883,945	135,078,652
	Intangible assets (Note 8.9.5.J)	2,075,226	3,049,458
	Leased assets (Note 8.9.5.K)	3,496,902	4,168,369
Total non-current assets		**416,021,296**	**172,497,819**
TOTAL ASSETS		**866,081,139**	**580,232,969**

in EUR

31 December		2023	2022
LIABILITIES			
Current liabilities:	Derivative financial instruments (Note 8.9.5.B)	259,214	—
	Lease liabilities (Note 8.9.5.K)	1,526,743	1,709,951
	Accounts payable - trade (Note 8.9.5.L)	79,688,844	28,728,082
	Accounts payable - related companies (Note 8.9.5.D)	341,529	26,195,316
	Short-term employee benefits accruals (Note 8.9.5.M)	23,680,221	21,103,825
	Accrued taxes (Note 8.9.5.E)	2,642,293	1,283,753
	Other current liabilities (Note 8.9.5.L)	12,964,363	5,105,614
	Deferred income (Note 8.9.5.N)	2,925,624	3,952,550
Total current liabilities		**124,028,831**	**88,079,092**
Non-current liabilities:	Long-term debt less current portion (Note 8.9.5.Y)	184,659,096	—
	Lease liabilities (Note 8.9.5.K)	1,989,751	2,538,904
	Other non-current liabilities (Note 8.9.5.O)	3,625,947	4,272,000
	Deferred tax liabilities (Note 8.9.5.E)	710,268	3,259,743
Total non-current liabilities		**190,985,061**	**10,070,647**
Equity:	Shareholders' capital	564,814	564,814
	Legal reserve	56,520	56,520
	Retained earnings	553,305,064	485,241,671
	Cumulative translation adjustment	(2,859,562)	(3,780,184)
Equity attributable to company owners		**551,066,837**	**482,082,821**
	Non-controlling interest	410	410
Total equity (Note 8.9.5.Z)		**551,067,246**	**482,083,231**
TOTAL EQUITY AND LIABILITIES		**866,081,139**	**580,232,969**

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

8.2 CONSOLIDATED INCOME STATEMENT

in EUR

31 December	2023	2022
Total revenue (Note 8.9.5.P)	**964,297,902**	**836,157,480**
Cost of sales (Note 8.9.5.Q)	(524,077,489)	(461,478,979)
Gross margin	**440,220,413**	**374,678,501**
Research and development expenses (Note 8.9.5.R)	(106,731,643)	(90,211,394)
General and administrative expenses (Note 8.9.5.S)	(50,602,374)	(40,887,499)
Selling expenses (Note 8.9.5.T)	(21,636,218)	(17,051,541)
Income from operations (EBIT)	**261,250,178**	**226,528,067**
Financial income (Note 8.9.5.U)	9,106,843	23,526,001
Financial charges (Note 8.9.5.U)	(17,194,141)	(11,675,047)
Profit or loss before tax	**253,162,880**	**238,379,021**
Income tax (Note 8.9.5.E)	(43,699,487)	(41,226,357)
Net profit or loss for the period	**209,463,394**	**197,152,664**
Earnings per share attributable to the ordinary equity holders of the parent		
Earnings per share non-diluted (Note 8.9.5.AC)	5.18	4.88
Earnings per share diluted (Note 8.9.5.AC)	5.18	4.88

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

8.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR

31 December	2023	2022
Net profit or loss	209,463,394	197,152,664
Other comprehensive income		
Recyclable items of profit or loss		
Cumulative translation adjustment	920,622	914,119
Total other comprehensive income for the period	**920,622**	**914,119**
Total comprehensive income (loss) for the period	**210,384,016**	**198,066,783**
Total comprehensive income attributable to:		
Owners of the parent	210,384,016	198,066,783
Non-controlling interests	—	—

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

8.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR

	Number of shares	Share capital	Legal reserve	Retained earnings	Reserve treasury shares	CTA	Non-controlling interest	Total equity
31 December 2021	**40,400,000**	**564,814**	**56,520**	**393,129,007**	**–**	**(4,694,303)**	**410**	**389,056,448**
Net income		–	–	197,152,664	–	–	–	197,152,664
CTA movement		–	–	–	–	914,119	–	914,119
Dividends		–	–	(105,040,000)	–	–	–	(105,040,000)
31 December 2022	**40,400,000**	**564,814**	**56,520**	**485,241,671**	**–**	**(3,780,184)**	**410**	**482,083,231**
Net income		–	–	209,463,394	–	–	–	209,463,394
CTA movement		–	–	–	–	920,622	–	920,622
Dividends		–	–	(141,400,000)	–	–	–	(141,400,000)
31 December 2023	**40,400,000**	**564,814**	**56,520**	**553,305,064**	**–**	**(2,859,562)**	**410**	**551,067,246**

No purchases of own shares took place in 2022 and 2023.

8.5 CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR

31 December (indirect method)	2023	2022
Cash flows from operating activities		
Net profit	209,463,394	197,152,664
Adjustments for operating activities		
Unrealized financial result (Note 8.9.5.U)	1,615,802	1,320,203
Other provisions (Note 8.9.5.O)	(646,053)	4,272,000
Deferred income (Note 8.9.5.N)	(1,026,926)	1,515,091
Depreciation and amortization (Note 8.9.5.W)	43,332,043	43,323,642
Depreciation leased assets (Note 8.9.5.K)	1,837,434	1,842,949
Financial result (Note 8.9.5.U)	4,728,081	(11,273,109)
Income tax expense/income (Note 8.9.5.E)	43,699,487	41,226,357
Operating profit before working capital changes	**303,003,262**	**279,379,797**
Accounts receivable, net (Note 8.9.5.C)	(11,428,309)	(27,324,221)
Other current assets (Note 8.9.5.G)	(12,121,035)	(8,612,921)
Other non-current assets (Note 8.9.5.D)[8]	(178,864,296)	771,288
Due from related companies (Note 8.9.5.D)	1,282,785	3,893,722
Due to related companies (Note 8.9.5.D)	(25,853,788)	6,409,768
Accounts payable (Note 8.9.5.L)	50,534,268	6,056,722
Employee benefit liabilities (Note 8.9.5.M)	2,339,130	3,310,826
Other current liabilities (Note 8.9.5.L)	7,833,755	932,425
Inventories (Note 8.9.5.F)	(75,619,378)	(40,379,637)
Cash generated from operations	**61,106,393**	**224,437,769**
Interest paid (Note 8.9.5.U)	(5,335,560)	(112,044)
Income tax paid (Note 8.9.5.E)	(52,759,725)	(36,488,622)
Net cash from operating activities	**3,011,108**	**187,837,102**

[8] The increase in other non-current assets is mainly due to the advance payments to our main supplier. For more information, we refer to note 8.9.5.H.

31 December (indirect method)	2023	2022
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired (Note 8.9.5.AE)	(9,409,245)	—
Purchase of property, plant and equipment (Note 8.9.5.I) and leased assets (8.9.5.K)	(94,230,541)	(39,883,633)
Purchase of intangible assets (Note 8.9.5.J)	(559,417)	—
Interest received (Note 8.9.5.U)	891,554	50,121
Investments, proceeds, from current investments	11,628,646	12,543,070
Net cash used in investing activities	**(91,679,003)**	**(27,290,442)**
Cash flows from financing activities		
Repayment and proceeds from long-term debts (Note 8.9.5.Y)	184,659,096	—
Repayment leasings (Note 8.9.5.K)	(737,094)	(1,841,449)
Impact of exchange results on financing items	832,962	(3,519,423)
Dividend payment (Chapter 8.4)	(141,400,000)	(105,040,000)
Net cash used in financing activities	**43,354,964**	**(110,400,872)**
Effect of exchange rate changes on cash	(418,236)	(16,173)
Cash at beginning of the period	85,080,008	34,950,394
Cash at end of the period	39,348,841	85,080,008
Cash at end of the period minus cash at beginning of the period	(45,731,167)	50,129,614

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

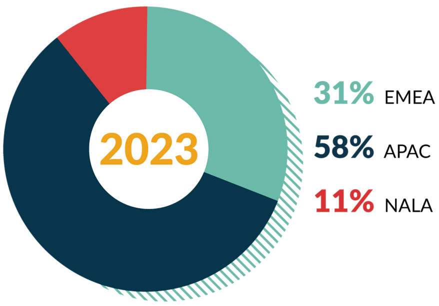
8.6 RESULT OF OPERATIONS

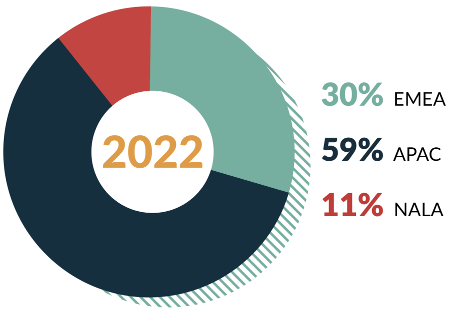
The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the company's financial statements from previous years.

Revenue

In 2023, total revenue increased by 15% compared with 2022, from EUR 836,157,480 in 2022 to EUR 964,297,902 in 2023. These results were positively influenced by product mix and pricing effects.

APAC continued being the largest region for Melexis, representing 58% of total sales in 2023, led by China, Hong Kong and Japan with respectively EUR 149,895,402, EUR 91,765,119 and EUR 78,807,585 in sales. EMEA, being the second largest region for Melexis, accounted for 31% of total sales. NALA comes in third, accounting for 11% of sales in 2023.





Cost of sales

Cost of sales consists of materials (raw materials and semi-finished parts), subcontracting, labor, depreciation and other direct production expenses. The cost of sales amounted to EUR 524,077,489 in 2023 compared with 461,478,979 in 2022. Expressed as a percentage of total revenue, the cost of sales decreased from 55.2% in 2022 to 54.3% in 2023.

Gross margin

The gross margin, expressed as a percentage of total revenues, increased from 44.8% in 2022 to 45.7% in 2023, mainly due to a better product mix and pricing.

Research and development expenses

Research and development expenses amounted to EUR 106,731,643 in 2023, representing 11.1% of total revenue, versus EUR 90,211,394 in 2022. The main research and development activities focused on magnetic sensors, inductive sensors, pressure sensors, temperature sensors, optical sensors, tire monitoring sensors, sensor interfaces, embedded drivers, embedded lighting and smart drivers.

General, administrative and selling expenses

General, administrative and selling expenses mainly consisted of salaries and salary related expenses, office equipment and related expenses. The general, administrative and selling expenses increased by 24.7% compared to 2022. The main variance is attributable to an increase in salaries and external services.

Income from operations

The company recorded an operational income of 261,250,178 for 2023, compared to EUR 226,528,067 in 2022, an increase of 15%. Compared with 2022, the operating margin remained flat at 27.1%.

Financial result

The net financial result amounted to EUR 8,087,298 loss in 2023 compared to EUR 11,850,954 profit in 2022.

In 2022 half of the inflation swaps were sold, resulting in a realized financial gain of EUR 12,646,535. The remaining inflation swaps were sold in 2023, resulting in a realized financial gain of EUR 11,628,646. This was compensated by a fair value adjustment on these inflation swaps of EUR 12,431,232.

The (net) interest result amounted to a loss of EUR 5,093,878 in 2023 compared to a loss of EUR 456,261 in 2022, mainly due to higher debt. The currency exchange result (both realized and unrealized) amounted to a loss of EUR 1,677,252 in 2023, compared to a loss of EUR 2,275,615 in 2022.

Income taxes

Income taxes amounted to EUR 43,699,487 in 2023 compared with EUR 41,226,357 in 2022 (Note 8.9.5.E).

Net income

The company recorded a net income of 209,463,394 for 2023, an increase of 6% compared with 2022.

8.7 LIQUIDITY, WORKING CAPITAL AND CAPITAL RESOURCES

Cash and cash deposits amounted to EUR 39,348,841 as of 31 December 2023, compared to EUR 85,080,008 as of 31 December 2022.

In 2023, operating cash flow before working capital changes amounted to EUR 303,003,262 compared to EUR 279,379,797 in 2022. Net operating cash flow including working capital changes amounted to EUR 3,011,108. This amount was mainly impacted by changes in other non-current assets, inventories and accounts payable. The changes in other non-current assets are mainly related to the partial advance payment of committed wafers to our main supplier X-FAB. For more information on this transaction see note 8.9.5.AD.

The cash flow from investing activities was negative by an amount of EUR 91,679,003, mainly as a result of investments in fixed assets amounting to EUR 94,230,541 and the acquisition of the subsidiary Xpeqt for an amount of EUR 9,409,245, partly compensated by proceeds from current investments amounting to EUR 11,628,646.

The cash flow from financing activities was positive by an amount of EUR 43,354,964. This was mainly the result of proceeds from long-term debt for an amount of EUR 184,659,096, partly offset by the 2022 final and 2023 interim dividend payment amounting to EUR 141,400,000.

8.8 STATEMENT OF THE BOARD OF DIRECTORS

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

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

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

The consolidated statements were approved and authorized for issue by the Board of Directors on 4 April 2024 and were signed on its behalf by Marc Biron.

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

8.9 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8.9.1 General

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

The accounting year covers the period from 1 January 2023 to 31 December 2023.

The Melexis Group of companies employed on average (FTE) 1,931 people in 2023 and 1,709 in 2022.

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

The consolidated results as included in the press release were authorized for issue by the Board of Directors subsequent to the meeting held on 5 February 2024.

8.9.2 Statement of compliance

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and in conformity with IFRS as adopted by the European Union until 31 December 2023 (collectively "IFRS"). Melexis did not apply any new IFRS requirements not yet effective in 2023.

8.9.3 Summary of significant accounting policies

The consolidated financial statements of Melexis NV were prepared according to IFRS as accepted by the EU on 1 January 2023. The principal accounting policies adopted when preparing the consolidated financial statements of Melexis NV were as follows:

Basis of preparation

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

Use of estimates and judgments

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

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

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

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

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

Presentation currency

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

Foreign currency transactions

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

Foreign currency translation

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

Melexis Inc.	**USD**
Melexis GmbH	**EUR**
Melexis Bulgaria EOOD	**BGN**
Melexis Ukraine	**UAH**
Melexis Technologies SA	**CHF**
Melexis NV/BO France	**EUR**
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**
Xpeqt NV	**EUR**
Xpeqt EOOD	**BGN**

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

Principles of consolidation

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

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

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

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

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

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

Dresden GmbH, Melexis France SAS, Melexis Korea Yuhan Hoesa, Xpeqt NV and Xpeqt EOOD.

Cash and cash equivalents

Cash includes cash on hand and cash in different bank accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value. Term deposits with a maturity period of more than three months that can be redeemed, subject to the interest income being forfeited, might be classified as cash equivalents if the deposit is held to meet short-term cash needs and there is no significant risk of a change in value as a result of an early withdrawal.

Hedging

There were no outstanding derivatives as per 31 December 2023 for which Melexis has elected to apply hedge accounting by designating the derivative as a hedging instrument in an eligible relationship.

Inventories

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

Property, plant and equipment

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

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

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

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

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

Depreciation starts when the asset is ready for use.

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

Investments and other financial assets

(a) Classification

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

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

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

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

(b) Recognition and derecognition

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

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

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

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

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.
Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

From 1 January 2018, the Group assesses, on a forward--looking basis, the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.
For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment of assets

Property, plant, and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in income. The recoverable amount is the higher amount of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.
Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased.

Non-current assets held for sale

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

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

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

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

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

Intangible assets

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

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

Business combinations

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

Goodwill

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

Research and development costs

According to IAS 38 Par. 57 development costs are capitalized, only if among others the technical and economic feasibility can be proven, the future economic benefits are probable and costs can be reliably measured.

Management has reviewed the development expenses based on the IFRS criteria and is of the opinion that the development expenses should be expensed as the existence of an actual market for the output of Melexis' development efforts can only be demonstrated in a late stage of the project cycle.

Equity

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

Earnings per share

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

Treasury shares

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

Provisions

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

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

Warranty claims

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

Reserves

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

Non-controlling interests

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

Financial liabilities

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

Trade and other payables

Trade payables and other short-term monetary liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

Leasing

IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group leases various properties and cars.

Rental contracts are typically made for fixed periods of one to nine years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2023 was between 0.8% and 6.00%.

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

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees

- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

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

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

Revenue recognition

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

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

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

Variable consideration: some of the contracts contain commercial discounts and rebates. These incentives are included in the transaction price. A liability is set up for the most likely amount of variable consideration that is to be paid by Melexis in the future. This liability is recognized when the revenue and the corresponding accounts receivable position is recognized.
To mitigate the risk of supplier LTAs, Melexis also engaged in LTAs (2023-2025) with its main customers. These contracts do not contain financial components giving rise to material rights nor any material variable considerations to be taken into account.

Government grants

Government grants are deferred and amortized into income over the period necessary to match them with the related costs that they are intended to compensate. Grants received are treated as deferred income in the accompanying consolidated financial statements.

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

Borrowing costs

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

Income taxes

The income tax charge is based on the result of the year and considers deferred taxation. Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled, based on tax rates enacted or substantially enacted at the balance sheet date.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are recognized regardless of the moment when the timing difference is likely to reverse. Deferred tax assets and liabilities are not discounted and are classified as non-current assets/ liabilities in the statement of financial position.

Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the company reassesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. The enterprise recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilized.

A deferred tax liability is recognized for all taxable temporary differences.

Retirement benefits: defined contribution schemes

A defined contribution plan is a pension plan under which the Group pays fixed contributions (percentage of annual gross salary). The scheme is funded through payments to the insurance company. Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate (refer to note 8.9.5.AH).

Segments

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

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

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements, but disclosed when an inflow of economic benefits is probable.

Subsequent events

Post year end events that provide additional information about a company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post year end events that are not adjusting events are disclosed in the notes when material.

Adoption of new and revised standards

The consolidated financial statements of Melexis NV are prepared according to IFRS as accepted by the EU on 1 January 2023.

During the current financial year, the Group has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, that are relevant to its operations and effective for the accounting year starting on 1 January 2023. The Group has not applied any new IFRS requirements that are not yet effective as per 31 December 2023.

The following new standard and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2023 and have been endorsed by the European Union:

1. **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 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.

The EU regulation provides an optional exemption from applying the annual cohort requirement that relates to the timing of the recognition of the profit in the contract, the contractual service margin, in profit or loss. Entities making use of the exemption are not applying IFRSs as issued by the IASB and need to disclose the fact.

2. **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).

3. **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).

4. **Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023 but immediate application permitted).** 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.

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

6. **Amendments to IAS 12 'Income Taxes': International Tax Reform – Pillar Two Model Rules (effective 1 January 2023).** The IASB has issued these amendments introducing:

- a temporary exception to the requirements to recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and
- targeted disclosure requirements for affected entities.

The following amendments have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2023 and have been endorsed by the European Union:

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

The following amendments have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2023 and have not been endorsed by the European Union:

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

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

- Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

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

3. **Amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures': Supplier Finance Arrangements (effective 1 January 2024).** The amendment describes the characteristics for which reporters will have to provide additional disclosures regarding the impact of supplier finance arrangements on liabilities, cash flows and exposure to liquidity risk.

4. **Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability' (effective 1 January 2025).** IAS 21 previously did not cover how to determine exchange rates in case there is long-term lack of exchangeability and the spot rate to be applied by the company is not observable. The narrow scope amendments add specific requirements on:

- Determining when a currency is exchangeable into another and when it is not;

- Determining the exchange rate to apply in case a currency is not exchangeable;

- Additional disclosures to provide when a currency is not exchangeable.

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:

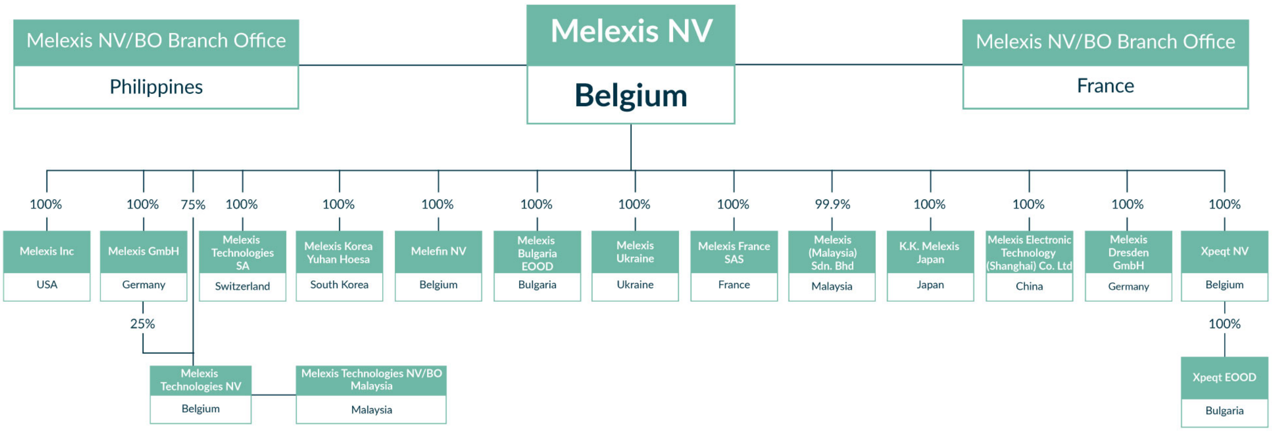
1. **IFRS 14, 'Regulatory deferral accounts' (effective 1 January 2016).** It concerns an interim standard on the accounting for certain balances that arise from rate–regulated activities. IFRS 14 is only applicable to entities that apply IFRS 1 as first-time adopters of IFRS. It permits such entities, 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 31 December 2023.

8.9.4 Overview of Group structure

Please refer to chapter 9.1 for the shareholder structure.



8.9.5 Notes

A. CASH AND CASH EQUIVALENTS

in EUR

31 December	2023	2022
Cash at bank and in hand	39,348,841	85,080,008
Total	**39,348,841**	**85,080,008**

The decrease in cash and cash equivalents is mainly due to operational advance payments to an important supplier.

B. CURRENT INVESTMENTS, DERIVATIVES

Notional amounts

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

31 December		2023	2022
Outstanding FX hedge contracts on 31 December, not exceeding 1 year	USD	50,000,000	50,000,000
Outstanding inflation hedge contracts, exceeding 1 year	EUR	–	15,000,000

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. All inflation swaps were sold in the first half of 2023.

Fair value

The fair value of derivatives is based upon mark to market valuations. All derivative financial instruments are measured at fair value derived from level 2 input criteria. For FX swaps, this is calculated using the forward rate of the appropriate currency pair on 31 December.

The following table presents an overview of the fair value of outstanding derivatives, classified as an asset under Current investments, Derivatives:

in EUR

31 December	**2023**	**2022**
Assets	**Fair value**	**Fair value**
Outstanding FX swaps - level 2	—	69,522
Outstanding inflation swaps - level 2	—	12,431,231
Total, classified under Current investments	**—**	**12,500,754**

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	**2023**	**2022**
Outstanding inflation swaps - level 2	—	—
Outstanding FX hedge contracts - level 2	259,214	—
Total, classified under derivative financial instruments	**259,214**	**—**

As of 31 December 2023, 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.

The advance payments as disclosed in note 8.9.5.AD are not accounted for under IFRS 9 as the settlement will be in wafers and not in cash or another financial instrument.

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.

in EUR

31 December	2023	2022
Trade accounts receivable	120,261,187	107,608,885
Allowance for doubtful accounts	(57,940)	(61,378)
Total	**120,203,248**	**107,547,507**

As of 31 December 2023, trade receivables of EUR 18,788,204 were past due.

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

in EUR

31 December	2023	2022
Not due	101,415,044	93,363,617
<30 days	17,251,847	12,179,383
>30 <60 days	445,338	872,911
>60 days	1,091,019	1,131,596
Total	**120,203,248**	**107,547,507**

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

31 December				
	Allowance for doubtful accounts	**No allowance for doubtful accounts**	**Total receivables 2023**	**Total receivables 2022**
Not due	–	101,415,044	**101,415,044**	**93,363,617**
<30 days	–	17,251,847	**17,251,847**	**12,179,383**
>30 <60 days	–	445,338	**445,338**	**872,911**
>60 days	(57,940)	1,148,959	**1,091,020**	**1,131,597**
Total	**(57,940)**	**120,261,187**	**120,203,248**	**107,547,507**

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

Melexis uses an early warning system to detect potential bad debtors. In this system, the most recent available financial information of the customer (with focus on credit ratios) is combined with an analysis of their (future) order and payment behavior. The analysis is done on a weekly basis and thoroughly investigated by the credit control team. No additional impairment or credit losses needed to be taken in 2023.

D. RELATED PARTIES

1. Shareholder structure and identification of major related parties

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

Melexis Inc.	US entity
Melexis GmbH	German entity
Melexis Bulgaria EOOD	Bulgarian entity
Melexis Ukraine	Ukrainian entity
Melexis Technologies SA	Swiss entity
Melexis NV/BO France	French branch
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
Xpeqt NV	Belgian entity
Xpeqt EOOD	Bulgarian entity

Situation as per 31 December 2023

- Sensinnovat BV owns 25% + 1 share of the outstanding Melexis shares. The shares of Sensinnovat BV are controlled by Mr. Rudi De Winter and Ms. Françoise Chombar. Ms. Chombar is a director at Melexis NV.
- Elex NV owns 25% of the outstanding Melexis shares. Mr. Roland Duchâtelet is a member of Elex NV's key management personnel. Mr. Duchâtelet is a director at Melexis NV.
- Elex NV owns 99.9% of the outstanding shares of Fremach International NV.
- Fremach International NV has significant influence over WorkNomads AD.

On 14 November 2023, Xtrion sold all shares it held in Melexis to Elex and Sensinnovat, its indirect shareholders. Xtrion sold 10,100,000 shares to Elex and 10,100,001 shares to Sensinnovat. After these changes to the shareholding structure of Melexis on 14 November 2023, both Elex and Sensinnovat own 25% of the outstanding Melexis shares, and X-FAB is no longer a related party of Melexis as based on IAS 24.9 (b) (significant influence as defined in IAS 28, no control or joint control). As such, balances included in this section are only applicable to the period 1 January 2023 to 14 November 2023.

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

2. Outstanding balances at year end

As of 31 December 2023 and 2022, the following balances were outstanding[9] [10]:

Receivables

in EUR

31 December		2023	2022
From	Elex NV	3,095	6,183
	Xtrion NV	–	4,840
	X-FAB Group	–	1,263,742
	Xpeqt Group	–	11,116
	Total	**3,095**	**1,285,880**

Payables

in EUR

31 December		2023	2022
To	Elex NV	52,345	8,104
	Xtrion NV	279,424	37,959
	X-FAB Group	–	24,767,617
	Xpeqt Group	–	1,366,833
	Worknomads EAD	9,759	14,803
	Total	**341,529**	**26,195,316**

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

in EUR

31 December		2023	2022
From	X-FAB Group	–	2,323,381
	Total	**–**	**2,323,381**

The long-term (and short-term) receivable from the X-FAB group of 2022 is related to a pre-financing agreement for specialized equipment purchased and owned by X-FAB to guarantee the production capacity towards Melexis.

Since X-FAB is no longer a related party per 31 December 2023, the balance of 2023 is included in other non-current assets (see note 8.9.5.H).

[9] As of 14 November 2023, X-FAB is no longer a related party.
[10] As of 1 October 2023, Xpeqt is no longer a related party (see note 8.9.5.AE).

3. Transactions during the year

Sales/purchases of goods and equipment

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

in EUR

31 December	2023	2022
Sales to		
Fremach Group (mainly integrated circuits or ICs)	13,050	18,129
Xpeqt Group	1,040	2,080
X-FAB Group*	2,884	9,723
31 December	**2023**	**2022**
Purchases from		
X-FAB Group (mainly wafers)*	314,084,525	276,217,084
Xpeqt Group (mainly equipment and goods)	8,893,012	9,790,597
Xtrion NV (mainly IT infrastructure)	94,822	140,976
Elex NV	632,615	—

Sales/purchases of services

31 December	2023	2022
Sales to		
Elex NV (infrastructure office building)	14,972	21,112
Xpeqt Group (infrastructure office building)	90,987	108,175
Xtrion NV (infrastructure office building)	73,920	48,000
X-FAB Group (mainly test and assembly services)*	558,415	544,272
Worknomads EAD	324	—
Sensinnovat BV	42,077	—
31 December	**2023**	**2022**
Purchases from		
Xtrion NV (mainly IT, R&D services and related support)	2,852,516	2,352,507
Elex NV (support services)	146,663	73,354
Xpeqt Group (maintenance and repair services)	1,418,366	1,491,930
X-FAB Group (mainly test and design services)*	2,342,886	3,940,626
Worknomads EAD (R&D Services)	146,213	104,480
Sensinnovat BV	416,490	—

*On 14 November 2023, Xtrion sold all shares it held in Melexis to Elex and Sensinnovat, its indirect shareholders. Xtrion sold 10,100,000 shares to Elex and 10,100,001 shares to Sensinnovat. After these changes to the shareholding structure of Melexis, X-FAB is no longer a related party of Melexis as based on IAS 24.9 (b) (significant influence as defined in IAS 28, no control or joint control). As such, balances included here are only applicable to the period 1 January 2023 to 14 November 2023.

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

4. Remuneration of key management

in EUR

Remuneration	Short-term benefits	Long and medium-term bonus	Pension Contributions	Total Remuneration
Key management	2,554,288	345,786	96,494	2,996,568

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

E. INCOME TAXES

The income tax expenses can be broken down as follows:

in EUR

31 December	2023	2022
Current tax expenses	51,731,089	40,572,119
Deferred tax expenses	(8,031,602)	654,238
Total	**43,699,487**	**41,226,357**

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

Intra-group transactions resulted in intangible assets in the Melexis Technologies SA and Melexis Bulgaria EOOD statutory (standalone) financial statements. These assets, although eliminated in consolidated figures, result in tax deductible amortization charges in the hands of these companies. Deferred tax effects linked to these transactions amount to approximately EUR 1.3 million at year end 2023.

As from financial year 2016, the Board of Directors deemed it expedient to start capitalizing research and development efforts in Melexis Technologies NV's standalone/tax financial statements. Such approach is found to be a best practice approach from a Belgian accounting and tax perspective. Deferred tax effects linked thereto amount to approximately EUR 27.8 million at year end 2023.

Added to deferred tax effects linked to available tax offsets carried forward in the hands of Melexis NV and Melexis Technologies NV and deferred tax effects resulting from various temporary differences, the maximum amount of deferred tax assets to be recognized amounts to EUR 33.6 million at year end 2023.

As in previous years, the company assessed to what extent it is probable that this positive tax effect will effectively be realized in the future. In this respect, the Board of Directors in particular took into account the uncertainties related to the rapid technological evolutions in the sector, the highly competitive market as well as the fact that the company only has short-term contracts with its customers. Deferred tax amounts recognized in financial statements per 31 December 2023 are based on management's best estimate covering expected business performance in the foreseeable future. In its assessment the Board of Directors typically adheres to a 3-year horizon. Taking into account these considerations, the Board of Directors decided to recognize as per 31 December 2023 a cumulative deferred tax asset of EUR 33,331,820. Accordingly, the unrecognized deferred tax asset for carried forward investment deduction amounts to approximately EUR 0.3 million at year end 2023.

Furthermore, a deferred tax liability of EUR 710,268 was recognized at year end 2023 mainly linked to setting up a deferred tax liability for leases.

Consolidated figures show a current tax receivable amounting to EUR 3,727,334 and a current tax liability amounting to EUR 2,642,293. The most important component of the current tax receivable is the overpayment of Belgian taxes for financial years 2021 and 2022, amounting to approximately EUR 1.5 million.

The Group operates on the assumption that it is within the scope of the OECD Pillar Two (GloBE) model rules. Pillar Two legislation was enacted in Belgium, the jurisdiction in which Melexis NV is incorporated, and will come into effect from 1 January 2024. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Under the new legislation, the Group is liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate. All entities within the Group have an effective tax rate that exceeds 15%, except for the subsidiaries in Bulgaria and Switzerland.

The Group is in the process of assessing its exposure to the Pillar Two legislation. Based on simulations made on the final financial statements for financial year 2022, the effective tax rate for the Bulgarian subsidiary amounted to 10% and for the Swiss subsidiary to approximately 12%. Following preliminary assessments based on the financial statements for financial year 2023, the Group believes that the effective tax rates for these subsidiaries will not significantly change.

Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate above 15%, there may still be Pillar Two tax implications. The entity is currently engaged with tax specialists to assist them with applying the legislation.

Components of deferred tax assets are as follows:

in EUR

	1 Jan 2023	**Charged to income statement**	**Charged to equity**	**31 Dec 2023**
Tax amortization charges	26,043,000	3,128,460	—	29,171,460
Tax losses carried forward	944,000	1,424,000	—	2,368,000
Fair value adjustments to hedge accounting	—	64,804	—	64,804
Miscellaneous	845,233	882,323	—	1,727,556
Total	**27,832,233**	**5,499,587**	**—**	**33,331,820**

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

Deferred tax assets expected to be recovered within 12 months amount to EUR 16.4 million. Deferred tax assets expected to be recovered after more than 12 months amount to EUR 16.9 million.

Components of deferred tax liabilities are as follows:

in EUR

	1 Jan 2023	Charged to income statement	Charged to equity	31 Dec 2023
Fair value adjustments to financial instruments	(3,125,188)	3,125,188	—	—
Miscellaneous	(134,555)	(575,713)	—	(710,268)
Total	**(3,259,743)**	**2,549,475**	**—**	**(710,268)**

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

in EUR

31 December	2023	2022
Income before taxes	253,162,880	238,379,021
Expected taxes at domestic rate	63,290,720	59,594,755
Effective taxes	43,699,487	41,226,357
Difference to be explained	(19,591,233)	(18,368,399)
Explanation of the difference		
Difference in foreign tax percentages and other tax regimes	(7,973,500)	(6,792,015)
Tax effect of non-deductible items	641,942	730,927
Tax effect of non-taxable income	6,781	(205,626)
Tax effect of patent/innovation income deduction	(7,725,677)	(8,184,549)
Tax effect of investment deduction	(5,109,501)	(3,648,334)
Tax losses carried forward	(1,468,456)	(199,501)
Current tax adjustments relating to prior years	(86,488)	(234,386)
Miscellaneous	(377,323)	402,246
Change of recognition of deferred tax assets (decrease + / increase -)	2,500,988	(237,160)
Total	**(19,591,234)**	**(18,368,399)**
Difference	**0**	**0**

F. INVENTORIES

Inventory is written off when no sales are expected or when the goods contain defects. In 2023, EUR 7,335,694 of additional inventory was written off. EUR 5,450,317 of the inventory written off during the previous year was reversed as the business conditions to write off these inventory items became redundant or the estimated sales value increased due to a change in business conditions. Work in progress consists of material that is being worked on in probing, assembly and final test.

in EUR

31 December	2023	2022
Raw materials and supplies, at cost	44,618,063	22,983,733
Work in progress, at cost	182,932,814	139,544,862
Finished goods, at cost	35,177,056	23,614,600
Reserve for obsolete stock	(8,379,780)	(6,494,403)
Net	**254,348,153**	**179,648,793**

The increase in inventory balance is mainly linked to a price increase effect and partially due to the acquisition of Xpeqt (refer to note 8.9.5.AE).

G. OTHER CURRENT ASSETS

in EUR

31 December	2023	2022
Other receivables	27,600,253	14,405,988
Prepaid expenses	4,828,920	5,672,645
Total	**32,429,173**	**20,078,633**

The other receivables mainly relate to VAT.

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

The increase in other current assets from EUR 20,078,633 per end December 2022 to EUR 32,429,173 per end December 2023 is mainly because of increased VAT receivables.

H. OTHER NON-CURRENT ASSETS

31 December	2023	2022
Other non-current assets	181,233,403	2,369,107
Total	**181,233,403**	**2,369,107**

The recent mismatch between supply and demand related to automotive semiconductors has led market participants to establish new ways of contracting aimed at the long-term relationship between suppliers and their customers. During recent years, in line with developments within the sector, Melexis and its subsidiaries have also concluded various long-term agreements (LTAs) with different suppliers. The most important goal of the LTAs is to secure volumes and more predictable prices.

Given that the LTA with our main supplier X-FAB requires significant capacity expansions on their part, Melexis Technologies agreed, in line with current market practices, to prepay a part of the committed wafers. For more details about this transaction, we refer to note 8.9.5.AD.

No triggering event occurred that would give rise to any indication for impairment of these non-current assets.

I. PROPERTY, PLANT AND EQUIPMENT

in EUR

31 December	Land and building	Machinery and equipment	Furniture and vehicles	Fixed assets under construction	Total 2023	Total 2022
Cost						
Beginning of the period	73,865,066	359,030,112	26,824,040	12,022,728	471,741,946	448,458,030
Additions of the period	914,878	13,482,121	6,139,456	72,258,899	92,795,355	39,339,708
Retirements (-)	(197,298)	(10,227,973)	(669,633)	—	(11,094,904)	(18,079,307)
Transfer to assets held for sale	—	262,587	—	(262,587)	—	—
Transfers	992,639	27,475,781	605,580	(29,074,000)	—	(444,390)
CTA	264,467	178,098	(72,817)	—	369,749	2,467,907
Acquisitions through business combinations	1,955,940	7,692	143,760	48,954	2,156,346	—
End of the period	**77,795,693**	**390,208,420**	**32,970,386**	**54,993,993**	**555,968,491**	**471,741,947**
Accumulated depreciation						
Beginning of the period	27,865,711	289,856,390	18,941,197	—	336,663,298	316,437,936
Additions of the period	2,870,212	27,956,116	3,517,209	—	34,343,538	35,949,808
Retirements (-)	(45,312)	(10,218,796)	(631,794)	—	(10,895,902)	(16,606,704)
CTA	510,571	(551,402)	14,444	—	(26,386)	882,257
End of the period	**31,201,183**	**307,042,308**	**21,841,056**		**360,084,547**	**336,663,297**
NET BOOK VALUE	**46,594,510**	**83,166,111**	**11,129,329**	**54,993,993**	**195,883,945**	**135,078,652**

Additions of the year mainly come from fixed assets under construction. These relate to test equipment and infrastructure under construction (i.e. the construction of the new building in Kuching, Malaysia).

Retirements are mainly linked to items with zero net book value which are not in use anymore by the company. No material amount of compensation from third parties has been included in the consolidated statement of comprehensive income.

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

J. INTANGIBLE ASSETS

in EUR

31 December	Licenses	IP	Total	Total 2022
Acquisition value				
Balance end of previous period	23,280,680	1,264,810	24,545,490	24,690,614
Additions of the period	551,041	—	551,041	543,925
Retirements (-)	(118,003)	—	(118,003)	(814,554)
CTA	168,964	—	168,964	125,505
Total	**23,882,682**	**1,264,810**	**25,147,492**	**24,545,490**
Accumulated amortization				
Balance end of previous period	20,231,221	1,264,810	21,496,031	20,356,003
Additions of the period	1,523,499	—	1,523,499	1,829,128
Retirements (-)	(118,003)	—	(118,003)	(814,554)
Transfers	—	—	—	—
CTA	170,739		170,739	125,454
Total	**21,807,456**	**1,264,810**	**23,072,266**	**21,496,031**
NET BOOK VALUE	**2,075,226**	**—**	**2,075,226**	**3,049,458**

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

K. LEASED ASSETS AND LIABILITIES

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

in EUR

31 December	Land and building	Furniture and vehicles	Total 2023	Total 2022
Leased assets				
Beginning of the period	7,020,008	677,450	7,697,458	8,045,191
Additions of the year	1,048,360	207,484	1,255,844	2,455,855
Retirements	(1,399,312)	(127,912)	(1,527,224)	(2,820,740)
Transfers	—	—	—	—
CTA	(65,296)	—	(65,296)	17,153
End of the period	**6,603,760**	**757,023**	**7,360,782**	**7,697,458**
Accumulated depreciation				
Beginning of the period	3,172,069	357,020	3,529,089	3,452,748
Additions of the period	1,712,443	165,804	1,878,247	1,962,768
Retirements	(1,399,312)	(127,912)	(1,527,224)	(1,990,519)
Transfers	—	—	—	—
CTA	(16,234)	—	(16,234)	104,091
End of the period	**3,468,965**	**394,913**	**3,863,878**	**3,529,089**
NET BOOK VALUE	**3,134,795**	**362,110**	**3,496,902**	**4,168,369**

Additions and retirements mainly relate to building rental contract modifications.

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

in EUR

31 December	Current liabilities	Non-current liabilities	Total
Beginning of the period	1,709,951	2,538,904	4,248,855
End of the period	**1,526,743**	**1,989,751**	**3,516,494**

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

in EUR

31 December	Land and building	Furniture and vehicles	Total
< 1 year	1,372,195	154,547	1,526,743
> 1 year < 3 years	1,812,638	177,113	1,989,751
TOTAL	**3,184,833**	**331,661**	**3,516,494**

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

in EUR

Depreciation charges leased buildings	1,658,172
Depreciation charges leased vehicles	102,174
Interest expense (included in finance cost)	115,363
Expenses related to short-term leases or low-value assets (included in admin expenses)	660,351

The total amount of paid rental expenses of Melexis (cash outflow with an immaterial interest component) is around EUR 2.2 million in 2023.

L. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

The increase in accounts payable is mainly linked to price increases and the fact that X-FAB is no longer a related party (see note 8.9.5.D).

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

Other current liabilities comprise the following:

in EUR

31 December	2023	2022
Accrued real estate withholding tax	128,000	102,000
Accrued financial services	807,524	816,075
Accrued design services	1,909,575	1,321,656
Accrued management services	225,027	485,482
Accrued HR services	1,047,439	380,077
Accrued transport services	41,989	70,000
Accrued insurances	126,136	158,136
Accrued IT services	376,876	155,229
Accrued licenses and royalties	31,165	139,000
Accrued other employee costs	171,799	131,000
Accrued utilities	282,095	91,715
Accrued interests	989,933	—
Other	6,826,806	1,255,243
Total	**12,964,363**	**5,105,614**

The increase in 'Other' mainly relates to the construction of the new building in Malaysia.

M. SHORT-TERM EMPLOYEE BENEFITS ACCRUALS

in EUR

31 December	2023	2022
Holiday pay and year-end bonus	18,615,155	17,910,522
Other social accruals	1,672,258	920,829
Remuneration	1,665,511	1,123,534
Social security	734,116	431,822
Direct and indirect taxes	993,181	717,119
Total	**23,680,221**	**21,103,825**

The increase in short-term employee benefits accruals is mainly linked to an increase in average FTEs.

N. DEFERRED INCOME

in EUR

31 December	2023	2022
Capital grants	213,189	236,031
Deferred income	2,712,435	3,716,519
Total	**2,925,624**	**3,952,550**

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

The deferred income relates to shipments that were not delivered at the customer before year end. As this performance obligation was not met, revenue was not recognized at year end but will be recognized when the shipment will be delivered to the customer. The performance obligation was met shortly after year end and revenue was recognized in January of the next year. A contract liability is recognized in case a payment for a customer is due before a related performance obligation is satisfied.

O. OTHER NON-CURRENT LIABILITIES

Melexis set up a warranty provision for an amount of EUR 3,404,000 (compared to EUR 4.272.000 last year) which is based on a reliable estimate of historical data. The estimation covers Melexis'experience of past claim rates and knowledge of current claims together with an assessment of rectification costs which lead to a decrease in warranty accrual of EUR 868,000 compared to 31 December 2022. The estimated period of usage of the underlying expenses is set at 1-2 years.

P. PRODUCT SALES

The product sales are as follows:

in EUR

31 December	2023	2022
Product sales	964,297,902	836,157,480
Total	**964,297,902**	**836,157,480**

For the revenue from product sales, please refer to the operating segments section in Note 8.9.5.AA.

Q. COST OF SALES

Cost of sales includes the following expenses:
in EUR

31 December	2023	2022
Purchases	405,064,817	345,092,463
Transportation costs	7,752,683	7,820,750
Salaries	50,269,902	43,164,699
Depreciation and amortization[11]	30,835,840	31,414,529
Maintenance	13,989,841	13,193,874
Utilities	8,203,419	8,908,245
Other direct production costs	7,960,987	11,884,418
Total	**524,077,489**	**461,478,979**

Cost of sales increased in 2023 due to an increase in sales.

[11] Includes accruals for write-offs on inventory for the amount of EUR 7,335,694 and reversal of accruals for write-offs in previous year for EUR 5,450,317. Inventory write-offs were reversed as the business conditions to write off these inventory items became redundant or the estimated sales value increased due to a change in business conditions. Consequently, the net impact on the consolidated income statement of 2023 is a loss of EUR 1,885,377.

R. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses include the following expenses:

in EUR

31 December	2023	2022
Salaries	65,275,378	55,421,792
Depreciation and amortization	8,180,734	7,773,150
External services	13,463,805	12,562,108
Fees	6,270,278	6,149,791
Prototype wafers	1,941,645	1,241,803
Rent and maintenance	2,078,764	887,823
Subsidies	(751,027)	(1,085,633)
Travel	2,557,310	1,343,796
Engineering purchases	7,714,757	5,916,764
Total	**106,731,643**	**90,211,394**

The increase in research and development expenses is mainly linked to salaries (due to an average FTE increase and a general remuneration increase).

S. GENERAL AND ADMINISTRATIVE EXPENSES

General and administration expenses include the following expenses:

in EUR

31 December	2023	2022
Salaries	16,029,606	12,590,018
Depreciation and amortization	5,498,523	5,380,841
External services	9,386,437	7,632,043
Fees	6,017,358	3,845,311
Maintenance	3,694,961	3,188,744
Insurances	2,351,138	1,813,878
Utilities	3,014,360	3,137,131
Travel	925,364	521,888
Other	3,684,628	2,777,646
Total	**50,602,373**	**40,887,499**

The increase in general and administrative expenses is mainly linked to salaries (due to an average FTE increase and a general remuneration increase) and external service fees.

T. SELLING EXPENSES

Selling expenses include the following expenses:

in EUR

31 December	2023	2022
Salaries	13,590,513	11,546,811
Depreciation and amortization	641,864	598,072
Commissions	2,545,481	1,596,634
External services	1,995,434	1,288,712
Travel	1,343,894	754,081
Other	1,519,032	1,267,231
Total	**21,636,218**	**17,051,541**

The increase in selling expenses is mainly linked to salaries (due to an average FTE increase and a general remuneration increase).

U. NET FINANCIAL RESULT

in EUR

31 December	2023	2022
Financial income	**9,106,843**	**23,526,001**
Interest income	891,554	50,121
Exchange differences	9,017,768	8,603,714
Result on financial instruments excluding fair value adjustments	11,628,646	12,646,535
Fair value adjustment inflation swaps	(12,431,232)	2,225,512
Other	107	120
Financial charges	**(17,194,141)**	**(11,675,047)**
Interest charges	(5,985,432)	(506,382)
Bank charges	(184,953)	(208,419)
Exchange differences	(10,695,020)	(10,879,329)
Fair value adjustment FX swaps	(328,736)	(80,918)
Net financial result	**(8,087,298)**	**11,850,954**

‘Interest income’ and ‘interest charges’ increased due to an increase in interest rates and an increase in long-term debt.
The sale of inflation swaps in 2023 resulted in a decrease in ‘fair value adjustments inflation swaps’ and an increase in ‘result on financial instruments excluding fair value adjustments’. For more information on our hedging contracts, see note 8.9.5.B.

V. GOVERNMENT GRANTS

The government grants mentioned hereafter consist of capital grants and operational grants. Capital grants are received for investments in buildings, machinery and equipment. The capital grants consist of a percentage of the purchase price of the building, machinery and equipment. Capital grants can be revoked if the expected investment threshold is not met. Operational grants are received as an incentive for research and development expenses. Operational grants are paid after pre-defined milestones are met. Capital grants are recognized as cost of sales in relation to the depreciation period of the underlying assets. The operational grants are recognized as a reduction of research and development expenses when incurred.

in EUR

31 December	2023	2022
Grants for research and development	765,552	1,085,633
Investment grants in building, machinery and employment grants	59,501	211,646
Total	**825,053**	**1,297,280**

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

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

W. DEPRECIATION AND AMORTIZATION EXPENSES

Depreciation and amortization include the following expenses:

in EUR

31 December	2023	2022
Cost of sales	30,835,840	31,414,529
Research and development	8,180,734	7,773,150
General and administration	5,498,523	5,380,841
Selling	641,864	598,072
Total	**45,156,960**	**45,166,592**

X. PERSONNEL EXPENSES AND AVERAGE NUMBER OF EMPLOYEES

in EUR

31 December	2023	2022
Wages and salaries	145,165,399	122,723,321
Total	**145,165,399**	**122,723,321**

The average number of employees (FTE) was 1,931 in 2023 and 1,709 in 2022. For more details on the compensation of key management, see chapter 7.

Y. LONG AND SHORT-TERM DEBT

in EUR (unless stated otherwise)

31 December	2023	2022
Unsecured loan at floating interest rate; maturing in 2027	30,000,000	—
Unsecured loan at floating interest rate; maturing in 2028	30,000,000	—
Unsecured loan at floating interest rate (in MYR); maturing in 2030	22,215,657	—
Unsecured loan at floating interest rate (in USD); maturing in 2032	38,372,441	—
Unsecured loan at floating interest rate (in USD); maturing in 2032	64,070,998	—
Total debt	**184,659,096**	**—**

Melexis consolidated needs to comply with the following financial covenants at all times:

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

As per 31 December 2023, 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.

The repayment of debt as of 31 December 2023 is scheduled as follows:

in EUR

31 December	
2024	—
2025	2,195,998
2026	13,125,000
2027	43,125,000
2028	13,997,441
Thereafter	112,215,657
Total	**184,659,096**

Z. SHAREHOLDERS' EQUITY AND RIGHTS ATTACHED TO THE SHARES

Shareholder's capital

As of 31 December 2023, the common stock consisted of 40,400,000 issued and outstanding ordinary shares without face value, unchanged from last year.

Each shareholder is entitled to one vote per share, without prejudice to specific restrictions on the shareholders' voting rights in the company's articles of association and the Belgian Code of Companies and Associations, including restrictions for non-voting shares and the suspension or cancellation of voting rights for shares which have not been fully paid up at the request of the Board of Directors.

Under the Belgian Code of Companies and Associations, the shareholders decide on the distribution of profits at the annual shareholders' meeting, based on the latest audited statutory accounts of the company. Dividends may be paid either in cash or in kind. However, shareholders may not declare a dividend if the company has not first reserved at least 5% of its profits for the financial year until such reserve has reached an amount equal to 10% of its share capital (the "legal reserve") or if, following any such dividend, the level of the net assets adjusted for the unamortized balance of the incorporation costs and capitalized research and development costs of the company falls below the amount of the company's paid-in-capital and of its non-distributable reserves. The Board of Directors may pay an interim dividend, provided that certain conditions set forth in the Belgian Code of Companies and Associations are met.

In the event of a liquidation of the company, the proceeds from the sale of assets remaining after payment of all debts, liquidation expenses and taxes are to be distributed proportionally to the shareholders, subject to liquidation preference rights of shares having preferred dissolution rights. The company currently has no plans to issue any shares having such preferred dissolution rights.

Reserves

Reserve treasury shares: for own shares repurchased by the company or entities belonging to the Melexis Group, the amount of consideration paid is recognized as a deduction from equity. In case of a cancellation or sale of treasury shares, the result of the transaction is included in retained earnings.

Revaluation reserve hedge: changes in the fair value of the hedging instrument, for which hedge accounting is applied as defined under IFRS 9, are recognized in a hedging reserve. For more details about the fair value of the hedging instruments through equity, please refer to note 8.9.5.B.

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

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

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

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

AA. OPERATING SEGMENTS

Business segments

Melexis' products and production processes that are regularly evaluated have only one operating segment. Please refer to section 8.9.3 Segments for more details.

Information about transactions with major customers

The following table summarizes sales per customer for the 10 most important customers. It consists of the sales to end customers and not to subcontractors or distributors. All of these customers were included in the analysis of credit risk performed according to the credit loss model of IFRS 9. The output of this analysis did not result in material amounts to be accounted for.

in %

31 December	2023	2022
Customer A	12	13
Customer B	6	6
Customer C	5	5
Customer D	4	5
Customer E	4	3
Customer F	2	2
Customer G	2	2
Customer H	2	2
Customer I	2	2
Customer J	2	2
Total	**41**	**41**

Information about geographical areas

The Melexis Group's activities are conducted predominantly in EMEA (Europe, Middle-East and Africa), APAC (Asia Pacific) and NALA (North and Latin America). The origin of all revenue is in Belgium, as the invoicing entity is located in Belgium.

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

in EUR

31 December	2023	2022
Europe, Middle East and Africa (EMEA)	**300,691,642**	**252,676,399**
Germany	121,323,852	102,565,487
France	21,387,502	16,739,913
United Kingdom	2,509,154	8,048,374
Poland	8,395,249	10,467,982
Switzerland	26,279,428	22,694,236
Ireland	654,953	668,268
Czech Republic	8,580,259	9,651,007
Austria	15,890,314	11,513,038
The Netherlands	865,483	483,714
Romania	24,804,984	20,658,346
Bulgaria	5,393,254	4,576,839
Spain	2,533,075	2,318,193
Hungary	10,313,072	7,518,392
Italy	17,452,862	11,657,220
Other	34,308,202	23,115,391
North and Latin America (NALA)	**105,488,241**	**91,014,215**
United States	55,515,734	59,586,544
Canada	22,317,393	7,902,592
Mexico	27,649,354	23,522,094
Brazil	5,759	2,984
Asia Pacific (APAC)	**558,118,019**	**492,466,866**
Japan	78,807,585	63,515,326
China (excluding Hong Kong)	149,895,402	115,821,881
Hong Kong	91,765,119	75,139,925
Thailand	74,615,322	71,534,907
South Korea	67,689,779	63,034,321
Philippines	22,516,520	21,397,494
Taiwan	11,349,389	33,733,777
India	14,202,895	9,297,976
Singapore	37,105,032	37,010,887
Other	10,170,976	1,980,371
Total	**964,297,902**	**836,157,480**

AB. REMUNERATION OF BOARD OF DIRECTORS

In accordance with the company's bylaws, directors can be remunerated for their mandate. The independent directors or entity that they represent have received in total EUR 56,000 remuneration in 2023 compared to EUR 58,244 in 2022. The other directors are not remunerated.

AC. EARNINGS PER SHARE

Net earnings per share are calculated by dividing the net result for the period attributable to ordinary shareholders of EUR 209,463,394 in 2023 and 197,152,664 in 2022 by the weighted average number of ordinary shares outstanding during the period (40,400,000 in 2023 and 40,400,000 in 2022).

The average number of ordinary shares outstanding diluted and non-diluted are the same.

No material share transactions or potential share transactions occurred after the balance sheet date.

On 5 February 2024, the Board of Directors decided to propose to the annual shareholders' meeting to pay out over the result of 2023 a total dividend of EUR 3.70 gross per share. This amount contains an interim dividend of EUR 1.30 per share, which was paid in October 2023 , and a final dividend of EUR 2.40 per share which will be payable after approval by the annual shareholders' meeting.

AD. COMMITMENTS & ESTIMATED LIABILITIES

Purchase commitments

As of 31 December 2023, the company had purchase commitments for tangible fixed assets amounting to EUR 30,442,779 mainly related to test equipment for the production sites and the construction of the new building in Malaysia. As of 31 December 2022, the amount was EUR 15,747,832.

The recent mismatch between supply and demand related to automotive semiconductors has led market participants to establish new ways of contracting aimed at the long-term relationship between suppliers and their customers. During recent years, in line with developments within the sector, Melexis and its subsidiaries have also concluded various long-term agreements (LTAs) with different suppliers. The most important goal of the LTAs is to secure volumes and more predictable prices. Given that these X-FAB LTAs require significant capacity expansions at X-FAB, Melexis Technologies agreed, in line with current market practices, to prepay a part of the committed wafers. For Melexis Technologies, the determination and allocation of such prepayments for capacity reservation involves the approval of an operational advance payment to X-FAB for a total amount of around EUR 189.2 million, i.e. 15% of the reserved capacity. The prepayments were scheduled to occur at the end of April 2023, end of September 2023, end of October 2023 and end of February 2024. The settlement of this prepayment will be done through wafer sales. For the impact on the balance sheet, we refer to note 8.9.5.D. There is no impact on the profit and loss accounts.

To mitigate the risk of supplier LTAs, Melexis also engaged in LTAs (2023-2025) with its main customers. These contracts do not contain financial components giving rise to material rights nor any material variable considerations to be taken into account.

At the time of the transaction, both Melexis and X-FAB were controlled by the same shareholder, Xtrion NV. As such, they qualified as related parties. This means that the decision to approve the amount and the conditions of the operational advance payments to X-FAB by Melexis Technologies has been successfully submitted to Melexis' board of directors for approval, applying the procedure required by article 7:97, §3 et seq. BCCA.

These advance payments are not accounted for under IFRS 9 as the settlement will be in wafers and not in cash or another financial instrument. Hence the advance payment is accounted for as a non-financial asset and no interest revenue on the prepayment is recognized. The operational advance payment towards X-FAB in the framework of the LTA has no interest component, which is in line with current market practices.

AE. BUSINESS COMBINATIONS

On 1 October 2023, Melexis NV acquired all shares in the share capital of Xpeqt NV at a price amounting to EUR 13.7 million. The acquisition price was partially compensated by a cash balance of EUR 4,290,755 at Xpeqt per 1 October 2023, resulting in a net cash out of EUR 9,409,245.

Before this transaction, Melexis was the main customer of Xpeqt who sold mainly XTD testers, spare parts and calibration services to Melexis. Having full ownership over its main test system is of strategic importance to Melexis. The acquisition of Xpeqt by Melexis is accounted for in accordance with the acquisition method of accounting while taking into account the fair value of the opening balance sheet in the consolidation of Melexis.

The transaction resulted in a limited goodwill of EUR 0.1 million euro.

The assets and liabilities recognized as a result of the acquisition are as follows:

in k EUR

Amounts at fair value	
Equity	(12,526)
Result of the year	(1,111)
AP	(252)
VAT payable	(1)
Social payables	(267)
Lease obl	(5)
Other paybales	(15)
Accrued charges	(13)
Total liabilities	**(14,188)**
Deferred taxes	18
Fixed assets	2,098
Rent Deposit	2
Inventory	6,416
AR	1,095
VAT receivable	185
Incoms tax payable	41
Deferred charges	42
Cash/Bank	4,291
Total assets	**14,188**

The acquired business contributed a net profit of EUR 290,000 to the Group for the period from 1 October to 31 December 2023. If the acquisition had occurred on 1 January 2023, consolidated pro-forma profit for the year ended 31 December 2023 would have been EUR 1,160,000. These amounts have been calculated using the subsidiary's results.

AF. LITIGATION

The company is currently not involved in any litigation.

AG. AUDITOR'S SERVICES

On a consolidated basis, the audit fees required by law amounted to EUR 361,388 in 2023, compared to EUR 244,612 in 2022.

AH. RESERVES POST-RETIREMENT BENEFITS

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate. The contributions to defined contribution schemes amounted to EUR 1,120,544 in 2023 compared to EUR 1,043,495 in 2022.

The company's employees in Belgium participate in defined contribution plans, funded through a group insurance. The employer contributions paid to the group insurance are based on a fixed percentage of the salary. By law, employers are required to provide an average minimum guaranteed rate of return over the employee's career, equal to 3.75% on employee contributions and 3.25% on employer contributions for contributions until 2015 and 1.75% on all contributions as from 2016. Since the minimum guaranteed reserves were entirely covered by plan assets by the insurance company, no amounts were recognized in the statement of financial position on 31 December 2023 and 2022.

AI. SUBSEQUENT EVENTS

No subsequent events have taken place that have a significant impact on the financial statement of 2023.

AJ. LIST OF SUBSIDIARIES CONSOLIDATED

Subsidiary	Place of incorporation	Principal activities	Ownership interest
Melexis Inc.	USA	R&D, Sales & Applications	100%
Melexis GmbH	Germany	R&D, Manufacturing, Sales & Applications	100%
Melexis Ukraine	Ukraine	R&D	100%
Melexis Bulgaria EOOD	Bulgaria	R&D, Manufacturing	100%
Melefin NV	Belgium	Treasury	100%
Melexis Technologies NV	Belgium	R&D, Sales & Applications	100%
Melexis Technologies SA	Switzerland	R&D, Sales & Applications	100%
K.K. Melexis Japan Technical Research Center	Japan	Sales & Applications	100%
Melexis Electronic Technology (Shanghai) Co., Ltd	China (Shanghai)	Sales & Applications	100%
Melexis (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing	99.9%
Melexis Dresden GmbH	Germany	R&D	100%
Melexis France SAS	France	Manufacturing	100%
Melexis Korea Yuhan Hoesa	South Korea	Sales & Applications	100%
Xpeqt NV	Belgium	Test equipment	100%
Xpeqt EOOD	Bulgaria	Test equipment	100%

AK. RISK FACTORS

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

a. Risks related to the company

Operating history; inability to forecast revenues accurately

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

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

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

Manufacturing

The Group has multiple manufacturing sites around the world. These sites are exposed to risks related to interruptions of our manufacturing processes, such as political upheavals, natural disasters, occupational accidents and pandemics. These could impede the Group's ability to manufacture at these sites on the planned scale or to export products manufactured at those sites, which in turn can impact our financial condition and results of operations. Contingency plans are in place in order to be able to respond adequately to crisis situations.

Dependence on data and IT systems

The Group heavily depends on the reliability and security of its IT systems: networks, infrastructure, operating systems and databases. These systems are subject to attempted security breaches and other cybersecurity threats, a risk that is becoming more important with the rise in the level of threats to data security. If successful, this could adversely impact our business and result in an immediate loss of revenue for the Group. To mitigate these risks, an array of precautionary measures were put in place.

Currency fluctuations

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

Please refer to the foreign currency risk in note 8.9.5.AL for more information about the impact of foreign currencies.

Credit risk on short-term investments

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

Managing growth

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

Risk of potential future acquisitions

As a part of its growth strategy, the company regularly evaluates potential acquisitions of businesses, technologies and product lines. Announcements concerning potential acquisitions and investments could be made at any time.

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

Dependence on key personnel; ability to recruit and retain qualified personnel

The company's performance is substantially dependent on the performance and continued presence of its senior management and other key personnel. The company's performance also depends on the company's ability to retain and motivate its other officers and employees. The loss of the services of any of the company's senior management or other key employees could have a material adverse effect on the company's business, result of operations and financial condition.

The company's future success also depends on its ability to identify, attract, hire, train, retain and motivate other highly skilled technical, managerial, marketing and customer service personnel. Competition for such personnel is intense, and there can be no assurance that the company will be able to attract, integrate or retain sufficiently qualified personnel. The failure to retain and attract the necessary personnel could have a material adverse effect on the company's business, result of operations and financial condition.

Products may contain defects

The company's products may contain undetected defects, especially when first released, that could adversely affect its business. Despite rigorous and extensive testing, some defects may be discovered only after a product has been installed and used by customers. Any defects discovered after commercial release could result in (1) adverse publicity; (2) loss of revenues and market share; (3) increased service, warranty or insurance costs; or (4) claims against the company. Any of the foregoing could have a material adverse effect on the company's business, result of operations and financial condition.

Evolving distribution channels

The majority of sales to the large automotive accounts are generated by direct sales people. However, over time, increasingly more sales of ASSPs have been generated via the representative and distribution network of Melexis. As the majority of the Melexis ASSPs are unique, the end customers are still dependent on Melexis and not on the representative or distributor that they are working with.

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

Protection and enforcement of intellectual property rights

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

The company has already obtained patent protections and expects to file additional patent applications when appropriate to protect certain of its proprietary technologies. The company also protects its proprietary information and know-how through the use of trade secrets, confidentiality agreements and other measures. The process of patent protection can be expensive and time consuming. There can be no assurance that patents will be issued for applications or that, if patents are issued, they will not be challenged, invalidated or circumvented, or that rights granted thereunder will provide meaningful protection or other commercial advantage to the company. Likewise, there can be no assurance that the company will be able to preserve any of its other intellectual property rights in the future.

Claims

Melexis receives, on a regular basis, claims from customers, and might receive claims from competitors as well. These claims are being recognized as a liability in the Consolidated statement of financial position. The company uses all possible resources to limit the risk for the company. More information on the pending claims can be found in note 8.9.5.AF Litigation.

The importance of significant customers

Melexis' biggest customer accounts for 12% of total sales. No other customers have sales over 10% of total sales. For the year ended 31 December 2023, the 10 most important customers accounted for 41% of total sales (see note 8.9.5.AA).

Significant supplier

Melexis sources the majority of its wafers from one supplier. To reduce the risk of dependency on one supplier, Melexis also sources from other wafer fabs. For packaging services, Melexis sources from several Asian vendors.

b. Risks related to the business

The semiconductor market

The semiconductor industry is characterized by rapid technology change, frequent product introductions with improved price and/or performance characteristics, and average unit price erosion. These factors could have a material adverse effect on the company's business and prospects.

The automotive industry

As a semiconductor company with most of its revenue coming from the automotive industry, Melexis sales are impacted by, among others, the amount of vehicles produced and sold worldwide.

The demand for vehicles is influenced by the economic and geopolitical situation in different regions. Macro-economic risks and trade tensions can lead to reduced purchasing power, causing the demand for vehicles to drop.

Other factors that can lead to a reduced demand for vehicles include a shift in consumer purchase behavior, uncertainty amongst consumers on what type of car to buy and new forms of mobility such as car sharing and robotaxis.

Intense competition

The automotive semiconductor market is very different from other segments of the semiconductor market. In particular, technological requirements for automotive semiconductors differ significantly as automotive electronics must withstand extreme conditions, including very hot and cold temperatures, dry and humid weather conditions and an environment subject to dust, oil, salt and vibration. In addition and unlike the situation in other segments of the semiconductor market, the supply voltage to automotive semiconductors originating from a car's battery will vary strongly in practice (between 6.5 and 24 V). As a result, these factors make automotive semiconductor product design and, in particular, testing, difficult when compared with other semiconductor markets.

The company currently competes with a number of other companies. These companies could differ for each type of product. The company's competitors include, among others, Allegro Microsystems, Analog Devices, Microchip Technology, ams-OSRAM, Elmos, Infineon Technologies, TDK (Micronas), NXP, ST Microelectronics, onsemi and Texas Instruments.

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

The company's current and potential competitors could have longer operating histories, greater brand recognition, access to larger customer bases and significantly greater financial, technical, marketing and other resources than the company. As a result, they may be able to adapt more quickly to new or emerging technologies and changes in customer requirements or to devote greater resources to the promotion and sale of their products than the company.

There can be no assurance that the company will be able to compete successfully against current and future competition. Furthermore, as a strategic response to changes in the competitive environment, the company may, from time to time, make certain pricing, service and marketing decisions or acquisitions that could have a material adverse effect on its business, results of operations and financial condition.

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

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

Rapid technological change

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

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

Purchasing

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

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

During upturns in the semiconductor cycle, it is not always possible to respond adequately to unexpected increases in customer demand due to capacity constraints. The company may be unable to obtain adequate foundry, assembly or test capacity from third-party subcontractors to meet customers' delivery requirements even if the company adequately forecasts customer demand. The company may have to incur unexpected costs to expedite orders in order to meet unforecast customer demand. Because of the mismatch between supply and demand in the automotive market, new ways of contracting have been introduced in our industry over the last two years, called long-term agreements or LTAs. The main aim of these new market practices is securing volumes and more predictable pricing.

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

Melexis sources the majority of its wafers from one supplier, but sources from other wafer fabs as well, to reduce the risk of dependency on one supplier. For the packaging services, Melexis sources from several Asian vendors.

Geopolitical environment

Uncertain political landscapes and tensions in global trade could have a significant impact on Melexis' business by causing a reduced free trade of goods and services and, as a consequence, disruptions in the supply chain. Examples of such situations include increased protectionism, technology wars and rising populism.

c. Risks related to the trading on Euronext

Possible volatility of share price

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

AL. SENSITIVITY ANALYSIS ON FINANCIAL RISK

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

Foreign currency risk

The Group has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency, especially in USD. In 2023, approximately 36% of the Group's sales are denominated in USD and approximately 43% of the Group's costs are denominated in USD.

The following table demonstrates the sensitivity to a reasonably possible change in the EUR/USD exchange rate of the Group's result before tax, with all other variables held constant.

FY 2023	Increase/decrease in EUR/USD rate		Effect on profit or loss before taxes (in EUR)
Reference rate: 1.08 (average FY 2023)			
	+0.05	(1.13)	(2,188,637)
	-0.05	(1.03)	2,400,928

On 31 December 2023, the following financial assets and liabilities were present, shown in USD and CHF:

	31 Dec 2023 (in USD)	31 Dec 2023 (in CHF)
Financial assets	**46,480,807**	**225,203**
Cash and cash equivalents	12,035,717	219,281
Trade and other receivables	34,445,090	5,922
Financial liabilities	**26,134,384**	**314,787**
Trade and other payables	26,134,384	314,787

An increase/decrease of the EUR/USD rate of +/- 500 base points (reference rate = 1.11) would have an impact on the balance sheet value of -797,102 EUR/ +872,657 EUR on 31 December 2023.

The portion of other non-functional currencies (other than USD) is not material.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

On 31 December 2023, all of the Group's borrowings are at a floating rate of interest. Melexis is currently not using interest rate derivatives to hedge the interest rate risk.

The following table demonstrates the sensitivity of the Group's financial result to a reasonably possible change in interest rates (through the impact on floating rate borrowings), with all other variables held constant.

	Increase/decrease	Effect on financial result (in EUR)
FY 2023	in base points	
	-15	(276,989)
	+15	276,989

AM. FINANCIAL INSTRUMENTS

Financial risk management

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

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

(1) Credit risks

Credit risk arises from the possibility that customers or other counterparties may not be able to settle obligations to the company within the normal terms of trade. Melexis' credit risk arises primarily from cash and cash equivalents, current investments and accounts receivable. To manage the risk, the company periodically assesses the financial viability of counterparties. Current investments and investments in cash equivalents are entered into with financial institutions with investment grade credit ratings. The Group has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics.

(2) Interest rate risk

On 31 December 2023, the Group does not use derivatives to manage interest rate risks.

(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 functional currency of the Group is the euro as Melexis uses the principle of single billing, single sourcing through the Belgian entity Melexis Technologies NV.

The currency risk of the Group occurs due to the fact that the Group operates and has sales in USD. The Group uses derivative contracts to manage foreign exchange risk. The table with outstanding derivatives per 31 December is taken up in note 8.9.5.B.

(5) Inflation risk

The inflation risk of the Group arises from the possibility that the salaries will increase due to inflation. The Group occasionally uses inflation hedge contracts to hedge Belgian salary payments. For more information, please refer to note 8.9.5.B.

Fair value of financial instruments

The fair value of foreign exchange contracts is determined using forward exchange market rates at the balance sheet date. The fair value of inflation hedge contracts is determined by discounting future expected cash flows, which are impacted by inflation expectations.

For all of these instruments, the fair values are confirmed to the Group by the financial institutions through which the Group has entered into these contracts.

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

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

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

Management believes that the exposure to interest rate risk of financial assets and liabilities as of 31 December 2023 was minimal since their deviation from their respective fair values was not significant.

AN. CLIMATE CHANGE

Earth's systems and processes have been influenced by human activity. Climate change, resource scarcity, environmental pollution – these are just some of the issues that humanity faces. To address this global problem, the Paris Agreement set a goal to limit the increase in global average temperature to below 2°C above pre-industrial levels and to attempt to limit the increase to 1.5°C. Melexis is committed to environmental sustainability, both in our products and in the way they are produced. We strive to minimize our environmental impact by analyzing and reducing our carbon footprint and increasing efficient use of natural resources on all our sites.

On a product level, Melexis contributes to the electrification trend in the automotive industry, which is seen as one of the most important strategies for reducing CO_2 emissions. To grow our portfolio of sustainable solutions, in 2023, we announced the establishment of the new "Sustainable World" and "Alternative Mobility" product lines. You can read more about them in 5.2.1 and 5.2.2.

From a process perspective, 2023 was marked by growth of our premises, where we focused on climate-friendly building solutions, the biggest of them being sustainable energy. You can read more about our energy program and about the building projects in 6.7.5 Energy. Beyond energy, we kept on improving the environmental performance of our existing sites, minimizing our waste and water consumption. You can learn more about it in 6.7.6 Other environmental performance data

We identified two main climate-related risks. The first one is the higher occurrence of natural hazards, such as floods and fires. What makes this risk significant is the fact that Melexis sites are geographically spread across 19 locations from the US to Japan, thus across various climatic zones. The second high-priority risk is increased investments by players in the semiconductor industry to ensure compliance with new regulations to reduce the environmental impact. The production of wafers for instance is energy and water intensive. Moreover, the environmental footprint of transportation of ICs is high, given the global nature of the semiconductor supply chain. Therefore, regulation in view of climate change could put pressure on the industry and lead to substantial increases in the cost of doing business. To address this risk, Melexis measures its greenhouse gas (GHG) emissions, covering all scopes 1, 2 and 3 in accordance with the GHG Protocol. Based on these measures, we are setting carbon targets and are searching for ways to reduce our footprint.

In 2023, expenses related to climate change were not material. There is no substantial impact of climate change considerations on the financial judgments and estimates made in this annual report.

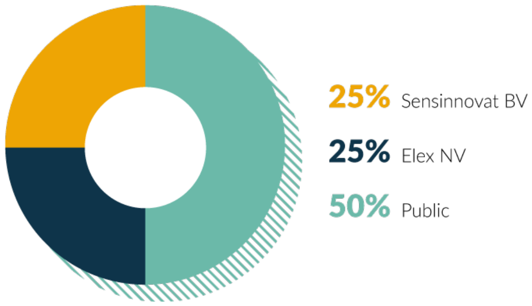
9 SHAREHOLDER INFORMATION

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

9.1 SHAREHOLDER STRUCTURE

Situation on 31 December 2023[12]

Company	Number of shares	Participation rate
Sensinnovat BV	10,100,001	25%
Elex NV	10,100,000	25%
Public	20,199,999	50%
Total	40,400,000	100%



9.2 SHARE INFORMATION

- **First day of listing** — 10 October 1997
- **Number of shares outstanding on 31 December 2023** — 40,400,000
- **Market capitalization on 31 December 2023** — € 3,686,500,000

(in EUR)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Earnings per share	5.18	4.88	3.25	1.72	1.49	2.86	2.75	2.38	2.45	2.10	1.37
Net cash from operating activities	0.07	4.65	3.52	2.37	2.34	2.47	2.80	2.67	2.85	2.35	1.75
Gross dividend	3.70	3.50	2.60	2.20	1.30	2.20	2.10	2.00	1.90	1.00	0.70
Year end price	91.25	81.00	104.80	79.90	67.05	50.90	84.37	63.65	50.18	37.50	23.18
Year's high	106.40	106.00	109.60	82.30	72.65	92.83	87.37	65.88	59.47	37.54	24.44
Year's low	68.20	64.20	79.70	46.10	47.66	45.62	64.41	40.94	37.70	23.10	13.19
Average volume of shares traded/day	69,879	72,653	81,014	85,165	126,252	107,094	54,966	59,810	73,249	35,665	22,741

[12] On 14 November 2023, Xtrion sold all shares it held in Melexis to Elex and Sensinnovat, its indirect shareholders. Xtrion sold 10,100,000 shares to Elex and 10,100,001 shares to Sensinnovat.

9.3 CONTACT INFO

Investor Relations

investor@melexis.com
Rozendaalstraat 12, B-8900 Ieper, Belgium

www.melexis.com/en/investors

9.4 FINANCIAL CALENDAR 2024

24 April 2024
Announcement of Q1 results

14 May 2024
Annual shareholders' meeting

31 July 2024
Announcement of half-year results

30 October 2024
Announcement of Q3 results

5 February 2025
Announcement of full-year results

9.5 DIVIDEND POLICY

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

Gross (interim) dividend per share out of distributable reserves:

2018	EUR 1.30 interim dividend
	EUR 0.90 final dividend
2019	EUR 1.30 interim dividend
2020	EUR 1.30 interim dividend
	EUR 0.90 final dividend
2021	EUR 1.30 interim dividend
	EUR 1.30 final dividend
2022	EUR 1.30 interim dividend
	EUR 2.20 final dividend
2023	EUR 1.30 interim dividend
	EUR 2.40 final dividend (pending approval by the annual shareholders' meeting on 14 May 2024)

10 EXCERPTS FROM THE MELEXIS NV STATUTORY

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

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

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

For this reason, the Board of Directors deemed it appropriate to publish only an abbreviated version of the non-consolidated balance sheet and income statement prepared in accordance with Belgian GAAP as at and for the year ended 31 December 2023. Participations in affiliated companies are recognized at purchase price.

The statutory auditors' report is unqualified and certifies that the non-consolidated financial statements of Melexis NV prepared in accordance with Belgian GAAP for the year ended 31 December 2023 give a true and fair view of the financial position and results of Melexis NV in accordance with all legal and regulatory dispositions.

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

Condensed non-consolidated statement of financial position

in 1,000 EUR

ASSETS	2023	2022
FIXED ASSETS	**1,346,163**	**1,318,082**
II. Intangible assets	63	86
III. Tangible assets	42,477	28,092
A. Land and buildings	12,135	12,200
B. Plant machinery and equipment	15,932	11,745
C. Furniture and vehicles	2,782	1,980
F. Assets under construction and advanced payments	11,628	2,168
IV. Financial assets	1,303,623	1,289,903
A. Affiliated companies	1,303,563	1,289,863
1. Participations	1,303,563	1,289,863
B. Other enterprises linked by participating interests	—	—
1. Participations	—	—
C. Other financial assets	60	40
2. Receivables and caution money	60	40
CURRENT ASSETS	**7,882**	**5,750**
V. Amounts receivable after more than one year	41	41
1. Other receivables	41	41
VII. Amounts receivable within one year	3,867	3,056
A. Trade receivables	5	52
B. Other receivables	3,862	3,005
VIII. Cash investments	—	—
A. Own shares	—	—
B. Other investments and deposits	—	—
IX. Cash deposits	432	439
X. Deferred assets and accrued income	3,543	2,214
TOTAL ASSETS	**1,354,046**	**1,323,831**

Condensed non-consolidated statement of financial position (continued)

in 1,000 EUR

	2023	2022
SHAREHOLDERS' EQUITY	**1,075,385**	**746,068**
I. Capital	565	565
A. Outstanding capital	565	565
IV. Reserves	56	56
A. Legal reserve	56	56
B. Reserves not available for distribution	—	—
1. In respect of own shares held	—	—
V. Retained earnings	1,074,551	745,210
VI. Investment grants	213	236
DEBTS	**278,660**	**577,764**
VIII. Long-term debt	7	250,004
D. Banks	—	—
IX. Amounts payable within one year	275,867	322,315
A. Current portion of amounts payable after more than one year	—	—
C. Trade debts	2,112	4,004
1. Trade payables	2,112	4,004
E. Taxes, remuneration and social security	6,240	5,317
1. Taxes	1,252	730
2. Remuneration and social security	4,987	4,587
F. Other amounts payable	267,515	312,994
X. Accrued charges and deferred income	2,786	5,445
TOTAL LIABILITIES	**1,354,046**	**1,323,831**

Condensed non-consolidated statement of comprehensive income

in 1,000 EUR

	2023	2022
I. Operating income	70,960	72,831
A. Turnover	67,666	69,395
C. Other operating income	3,294	3,436
II. Operating charges	(65,576)	(61,584)
B. Services and other goods	22,915	21,569
C. Remuneration, social security charges and pensions	34,926	30,074
D. Depreciations	7,558	9,794
E. Amounts written-off stocks, contracts in progress and trade receivables	—	—
G. Other operating charges	176	147
III. Operating result	5,385	11,247
IV. Financial income	485,224	154,497
B. Income from current assets	22	6
C. Other financial income	216	134
V. Financial charges	(11,538)	(9,710)
A. Debt charges	11,344	9,601
C. Other financial charges	194	110
VI. Result of the year before taxes	479,071	156,034
VII. Income taxes	(250)	(201)
A. Taxes	250	201
B. Regularization	—	—
VIII. Result of the year	478,821	155,833
IX. Profit of the year available for appropriation	**478,821**	**155,833**

Appropriation of the result

in 1,000 EUR

	2023	2022
A. Result to be appropriated	1,224,031	886,610
1. Result of the period available for appropriation	478,821	155,833
2. Result carried forward	745,210	730,777
B. Transfers from capital and reserves	—	—
C. Transfers to capital and reserves	—	—
1. To other reserves	—	—
D. Result to be carried forward	1,074,551	745,210
1. Result to be carried forward	1,074,551	745,210
F. Distribution of profit	(149,480)	(141,400)
1. Dividends	(149,480)	(141,400)

11 GLOSSARY[13]

Earnings per share

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

Earnings per share diluted

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

Revenue

Product sales + revenues from research and development

EBIT (Earnings before interests and taxes)

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

EBITDA (Earnings before interests and taxes + depreciation, amortization and impairment)

EBIT + depreciation, amortization and impairment (including inventory write-downs)

Section 2.3: 261,250 + 45,170 = 306,420

Shareholders' equity

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

Net indebtedness

Current portion of long-term debt + long-term debt less current portion + bank loans and overdrafts - current investments - cash and cash equivalents + total liabilities linked to leased assets and liabilities (note 8.9.5.K)

Section 8.1: 0 + 184,659 + 0 - 0 - 39,349 + 3,516 = 148,826

Working capital

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

Section 8.1: (450,060 - 39,349 - 0) - (124,029 - 0 - 0 - 259 + 1,527) = 285,414

Net cash from operating activities

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

Capital expenditure (CAPEX)

Investments in property, plant and equipment

ROE (Return on equity)

Net income/Shareholders' equity

Liquidity

Current assets/current liabilities

Solvency

Shareholders' equity/total assets

Tangible net worth

Total assets - liabilities - intangible assets.

[13] and calculations for 2023 in 1,000 EUR

12 LIST OF USED ACRONYMS (1/2)

ADAS	Advanced driver-assistance system	ECU	Electronic control unit
AEC	Automotive electronics council	EGR	Exhaust gas recirculation
APAC	Asia Pacific region	ELV/ WEEE	End-of-life vehicles / Waste electrical and electronic equipment
AR-HUD	Augmented-reality head-up display	EMC	Electromagnetic compatibility
ASIC	Application-specific integrated circuit	EMEA	Europe, Middle East and Africa
ASIL	Automotive safety integrity level	EMI	Electromagnetic interference
ASSP	Application-specific standard product	EPA	Electric power-assisted steering
AWD	All-wheel drive	EPS	Electronic power steering
BLDC	Brushless DC (direct current)	ESD	Electrostatic discharge
BMC	Body control module	ESP	Electronic stability program
BMS	Battery management system	EV	Electric vehicle
BOM	Bill of materials	EVAP	Evaporation
CAN FD	Controller area network with flexible data rate	FAE	Field application engineers
CEO	Chief executive officer	FIR	Far-infrared
CFO	Chief financial officer	FOC	Field-oriented control
CMOS	Complementary metal oxide semiconductor	FOV	Field of view
CTA	Cumulative translation adjustments	GAAP	Generally accepted accounting principles
DC	Direct current	GHG	Greenhouse gases
DFN	Dual-flat no-leads	GPU	Graphics processing unit
DMS	Driver monitoring system	GRI	Global reporting initiative
DRC	Democratic Republic of Congo	HVAC	Heating, ventilation and air conditioning
DSP	Digital signal processor	IATF	International automotive task force
DVK	Development kit	IAS(B)	International accounting standards (board)
ECHA	European Chemical Agency	IC	Integrated circuit

12 LIST OF USED ACRONYMS (2/2)

ICE	Internal combustion engine	PBDE	Polybrominated diphenyl ether
IFRS	International financial reporting standards	PCB	Printed circuit board
IMC	Integrated magnetic concentrator	PWM	Pulse width modulation
IOT	Internet of things	QVGA	Quarter video graphics array
IP	Intellectual property	R&D	Research & development
IRBP	Infrared bandpass	REACH	Registration, evaluation, authorization and restriction of chemicals
ISO	International organization for standardization	RF	Radio frequency
ISO/TS	International organization for standardization/technical specification	RGB	Red, green and blue
ITOF	Indirect time-of-flight	ROHS	Restriction on the use of hazardous substances
KPI	Key performance indicator	ROM	Read-only memory
LED	Light-emitting diode	SDG	Sustainable development goals
LIN	Local interconnect network	SENT	Single edge nibble transmission
LTA	Long-term agreement	SIP	Single-in-line package
LXP	Learning experience platform	SMP	Single-mold package
MAP	Manifold absolute pressure	SOI	Silicon-on-insulator
MEMS	Micro-electromechanical system	SOT	Small outline transistor
NALA	North America and Latin America	STEM	Science, technology, engineering and mathematics
NFET	Negative-channel field effect transistor	SVHC	Substances of very high concern
OBC	On-board charger	SWTW	Semiconductor wafer test workshop
OCD	Overcurrent detection	TOF	Time-of-flight
OCI	Other comprehensive income	TPMS	Tire pressure monitoring system
OEM	Original equipment manufacturer	TRS	Transmission range selection
OLED	Organic light-emitting diode	VCSEL	Vertical-cavity surface-emitting laser
OSIC	Oxygen sensor integrated circuit	VGA	Video graphics array
PBB	Polybrominated biphenyl		

13 GRI CONTENT INDEX

For some years now, Melexis has been reporting in line with the GRI Standards. Following several internal stakeholder workshops within our company, Melexis has identified the relevant material GRI topics as seen in the table below and reports on them throughout this annual report. Fully in line with the Belgian law of 3 September 2017 (detailing the publication of non-financial information and information regarding diversity by large companies and groups), we will continue to report our sustainability efforts in accordance with the GRI Standards: Core option.

GRI STANDARD	DISCLOSURE	PAGE NUMBER/URL
GRI 101: Foundation 2016		
	GRI 101 does not include any disclosures.	Not applicable
General disclosures		
GRI 102: General disclosures 2016	102-1 Name of the organization	2
	102-2 Activities, brands, products, and services	3
	102-3 Location of headquarters	2
	102-4 Location of operations	2.2
	102-5 Ownership and legal form	2
	102-6 Markets served	3.3
	102-7 Scale of the organization	6.4.1 8.1 8.2
	102-8 Information on employees and other workers	6.4.1
	102-9 Supply chain	6.8
	102-10 Significant changes to the organization and its supply chain	6.8.2
	102-12 External initiatives	6.6
	102-13 Membership of associations	2.4
	102-14 Statement from senior decision-maker	1
	102-15 Key impacts, risks, and opportunities	5 6.2 6.5.1 6.7.5 6.7.6 6.8.1 6.8.2 6.9.2 7.2 7.8 8.9
	102-16 Values, principles, standards, and norms of behavior	4 6.9
	102-17 Mechanisms for advice and concerns about ethics	6.9.5
	102-18 Governance structure	7

GRI 102: General Disclosures 2016	102-21 Consulting stakeholders on economic, environmental, and social topics	6.1
	102-22 Composition of the highest governance body and its committees	7
	102-23 Chair of the highest governance body	7
	102-24 Nominating and selecting the highest governance body	7
	102-25 Conflicts of interest	7
	102-26 Role of highest governance body in setting purpose, values, and strategy	7
	102-27 Collective knowledge of highest governance body	7
	102-28 Evaluating the highest governance body's performance	7
	102-30 Effectiveness of risk management processes	7
	102-35 Remuneration policies	6.4.4 7
	102-36 Process for determining remuneration	6.4.1 6.4.3 7
	102-38 Annual total compensation ratio	7
	102-40 List of stakeholder groups	6.3
	102-41 Collective bargaining agreements	6.5.2
	102-42 Identifying and selecting stakeholders	6.3
	102-43 Approach to stakeholder engagement	6.3
	102-44 Key topics and concerns raised	6.1 6.3
	102-45 Entities included in the consolidated financial statements	8.9.4 8.9.5
	102-46 Defining report content and topic boundaries	6.1
	102-47 List of material topics	6.1
	102-50 Reporting period	14
	102-51 Date of the most recent report	The most recent report was the 2022 annual report.
	102-52 Reporting cycle	Annual
	102-53 Contact point for questions regarding the report	14
	102-54 Claims of reporting in accordance with the GRI Standards	13
	102-55 GRI content index	13

Economic disclosures		
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	8.6
	201-2 Financial implications and other risks and opportunities due to climate change	6.7 8.9.5.AN
	201-3 Defined benefit plan obligations and other retirement plans	6.4.1 8.9.3 8.9.5.AG
	201-4 Financial assistance received from government	8.5 8.9.3 8.9.5.U
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	8.9.5
	203-2 Significant indirect economic impacts	8.9.5
Material topics		
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	6.8.1
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	6.9.2
	205-2 Communication and training about anti-corruption policies and procedures	6.9.2
	205-3 Confirmed incidents of corruption and actions taken	6.9.2
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	6.9.3
GRI 301: Materials 2016	301-1 Materials	6.7.1
	301-2 Recycled input materials used	6.7.6 6.7.1
	301-3 Reclaimed products and their packaging materials	6.7.6 6.7.1
GRI 302: Energy 2016	302-1 Energy consumption within the organization	6.7
	302-3 Energy intensity	6.7
	302-4 Reduction of energy consumption	6.7
GRI 303: Water 2016	303-1 Water withdrawal by source	6.7.6
GRI 305: Emissions 2016	305-1 Direct (scope 1) GHG emissions	6.7.5
	305-2 Energy indirect (scope 2) GHG emissions	6.7.4
	305-4 GHG emissions intensity	6.7.5
	305-5 Reduction of GHG emissions	6.7.5
GRI 306: Waste 2020	306-3 Waste generated	6.7.6
GRI 308: Supplier environmental assessment 2016	308-1 New suppliers that were screened using environmental criteria	6.8.3
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	6.4.1
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.4.1
	401-3 Parental leave	6.4.1

GRI 403: Occupational health and safety 2018	403-1 Occupational health and safety management system	6.5
	403-2 Hazard identification, risk assessment, and incident investigation	6.5
	403-3 Occupational health services	6.5
	403-4 Worker participation, consultation, and communication on occupational health and safety	6.5
	403-5 Worker training on occupational health and safety	6.5
	403-6 Promotion of worker health	6.5
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	6.5
	403-9 Work-related injuries	6.5
	403-10 Work-related ill health	6.5
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	6.4.2
	404-2 Programs for upgrading employee skills and transition assistance programs	6.4.2
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	6.4.3
	405-2 Ratio of basic salary and remuneration of women to men	6.4.3
GRI 408: Child labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	6.9.1
GRI 409: Forced or compulsory labor 2016	409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labor	6.9.1
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	6.6
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	6.8.1 6.8.3

14 ABOUT THIS REPORT

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Contact Investor Relations	E-mail: investor@melexis.com Web: www.melexis.com/en/investors
Responsible editor	Marc Biron, Managing Director
Annual report	This annual report has been compiled internally with the utmost care. If we have overlooked something or if you have any question regarding this report, please feel free to contact us via investor@melexis.com. This annual report covers the period 1 January - 31 December 2022. The report has also been made compliant with the Belgian law of 3 September 2017 detailing the publication of non-financial information and information regarding diversity by certain large companies and groups. For this information, Melexis uses the Global Reporting Initiative Standards: Core option. We are committed to report on our sustainability efforts increasingly over the next few years.

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF MELEXIS NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2023

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

We have been appointed as statutory auditor by the general meeting d.d. 9 May 2023, following the proposal formulated by the board of directors and following the recommendation by the audit committee. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2025. We have performed the statutory audit of the Group's consolidated accounts for 7 consecutive years.

Report on the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of EUR 866.081.139 and a profit for the year of EUR 209.463.394.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing as approved by the IAASB which are applicable to the year-end and which are not yet approved at the national level. Our responsibilities under those standards are further described in the "Statutory auditor's responsibilities for the audit of the consolidated accounts" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

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

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

Key audit matters

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

<u>Taxation</u>

Description of the Key Audit Matter

The global organisation and the business nature of Melexis' operations, results in complex tax accounting. The group operates across multiple countries and is subject to periodic challenges by local tax authorities on a range of income tax matters during the normal course of business. Income tax legislation is open to different interpretations and the income tax treatment of some items might be uncertain as it is subject to judgement (ref notes 8.9.3 and 8.9.5.E). Income tax audits can require several years to conclude and transfer pricing decisions may impact the group's income tax positions.
Given the level of complexity involved, we consider assumptions and estimates on tax positions to be a key audit matter.

How our Audit addressed the Key Audit Matter

The audit engagement team, with the support of income tax and transfer pricing specialists, evaluated and tested the group's current and deferred income tax positions, and the transfer pricing policy in each significant jurisdiction.

<u>Long term wafer supply and purchase agreement with X-FAB</u>

Description of the Key Audit Matter

As set out in Note 8.9.5.H (other non-current assets) and Note 8.9.5.AD (Commitments & estimated liabilities), the recent mismatch between supply and demand in the market of automotive semiconductors has led market participants to establish new ways of contracting. In line with these sector developments, Melexis entered into long-term wafer purchase agreements (LTA's) with its wafer supplier with the aim to establish a long-term relationship to safeguard the proper and timely delivery of these wafers. Given that these

LTA's require significant capacity expansion at the wafer supplier, Melexis agreed to prepay operational rent-free advances for a total amount of 189 mEUR which will be settled by the delivery of wafers. This triggers the questions of the accounting treatment of these agreements and to what extent the own use exemption under IFRS 9 can be applied in respect of the non-interest-bearing prepayment made by Melexis to its wafer supplier.

Given the significance of the transaction, and the time and accounting expertise that is required to do a thorough analysis of the contracts in view of IFRS 9 – Financial Instruments, we consider, in our professional judgement, this matter to be most important as part of our audit.

How our Audit addressed the Key Audit Matter

We performed a thorough analysis of the contracts to obtain a full and complete understanding of its content and its further operational execution. The audit engagement team, with the support of IFRS specialists evaluated the LTA's and assessed the accounting treatment in line with IFRS 9 – Financial instruments to confirm that the own use exemption can be applied.

Long term supply agreement with key customers

Description of the Key Audit Matter

In addition to the supplier long term agreements referred to above and in order to mitigate the risk of those supplier LTA's, Melexis also entered into long term agreements (LTA's) with its key customers to seize the opportunity to secure long term orders. These LTA's have well-determined clauses regarding pricing and penalties and their variability is stipulated within the contractual terms of the agreement (refer to Note 8.9.5.H other non-current assets and Note 8.9.5.AD Commitments and estimated liabilities). Both elements could impact the accounting treatment of revenue in line with IFRS 15 – Revenue recognition, and more specifically trigger the question to what extent the contracts incorporate a material right for LTA customers and how potential variable considerations included in the contracts are accounted for.

Given the significance of the revenue transactions involved, and the time and accounting expertise that is required to do a thorough analysis of the contracts, we consider, in our professional judgement, the assessment on the potential impact on revenue recognition in accordance with IFRS 15 to be most important as part of our audit.

How our Audit addressed the Key Audit Matter

The audit engagement team, with the support of IFRS specialists, evaluated the different Long-term agreements with Melexis' key customers in place and assessed the impact on revenue recognition in line with IFRS 15 – Revenue recognition. We performed a thorough analysis of the LTA's and scrutinised the contracts to assess the material right aspect. We challenged management to obtain sufficient underlying evidence to conclude on whether or not these LTA customers have a material right or not. Furthermore, we investigated the clauses in the contract leading to potential variable considerations and challenged management on the various scenarios that could occur in order to confirm the current accounting treatment.

Responsibilities of the board of directors for the preparation of the consolidated accounts

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

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

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

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

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium. A statutory audit does not provide any assurance as to the Group's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management at Group level. Our responsibilities in respect of the use of the going concern basis of accounting by the board of directors are described below.

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

• Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;

• Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

• Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation;

• Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the board of directors and with the audit committee, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts, the non-financial information and the other information included in the annual report on the consolidated accounts.

Statutory auditor's responsibilities

In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts, the non-financial information and the other information included in the annual report on the consolidated accounts and to report on these matters.

Aspects related to the directors' report on the consolidated accounts and to the other information included in the annual report on the consolidated accounts

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this directors' report is consistent with the consolidated accounts for the year under audit and is prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

The non-financial information required by virtue of article 3:32, §2 of the Companies' and Associations' Code is included in the directors' report on the consolidated accounts which is part of the section number 2, 3, 4, 5, 6 and 7 of the annual report. The Company has prepared the non-financial information, based on the Global Reporting Initiative (GRI) framework. However, in accordance with article 3:80, §1, 5° of the Companies' and Associations' Code, we do not express an opinion as to whether the non-financial information has been prepared in accordance with the Global Reporting Initiatie (GRI) framework as disclosed in the directors' report on the consolidated accounts.

Statement related to independence

● Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts, and our registered audit firm remained independent of the Group in the course of our mandate.

● The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 3:65 of the Companies' and Associations' Code are correctly disclosed and itemized in the notes to the consolidated accounts.

European Uniform Electronic Format (ESEF)

We have also verified, in accordance with the draft standard on the verification of the compliance of the financial statements with the European Uniform Electronic Format (hereinafter “ESEF”), the compliance of the ESEF format with the regulatory technical standards established by the European Delegate Regulation No. 2019/815 of 17 December 2018 (hereinafter: “Delegated Regulation”).

The board of directors is responsible for the preparation, in accordance with ESEF requirements, of the consolidated financial statements in the form of an electronic file in ESEF format (hereinafter “digital consolidated financial statements”) included in the annual financial report.

Our responsibility is to obtain sufficient appropriate evidence to conclude that the format and marking language of the digital consolidated financial statements comply in all material respects with the ESEF requirements under the Delegated Regulation.

Based on our procedures performed, we believe that the format of and marking of information in the digital consolidated financial statements included in the annual financial report of Melexis NV per 31 December 2023 comply in all material respects with the ESEF requirements under the Delegated Regulation.

Other statements

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

Hasselt, 11 April 2024

The statutory auditor

PwC Bedrijfsrevisoren BV/PwC Reviseurs d'Entreprises SRL
Represented by

DocuSigned by:

0B9CEA06F9DE46B...

Griet Helsen*
Bedrijfsrevisor/Réviseur d'entreprises

*Acting on behalf of Griet Helsen BV

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