MIXED-SIGNAL FOUNDRY EXPERTS

Interim Report / June 30, 2019

X-FAB Silicon Foundries SE

Contents

List of abbreviations/definitions

CMOS	Complementary metal-oxide-semiconductor
GVG	X-FAB Dresden Grundstücks-Vermietungsgesellschaft mbH & Co. KG
IC	Integrated circuit
M-MOS	M-MOS Semiconductor Sdn. Bhd.
MEMS	Micro-electro-mechanical systems
MFI	X-FAB MEMS Foundry Itzehoe GmbH
NRE	Non-recurring engineering
PCM	Process control monitor
X-FAB SE or the Company	X-FAB Silicon Foundries SE
X-FAB SE Group or the Group	X-FAB Silicon Foundries SE together with its subsidiaries
X-FAB GmbH	X-FAB Semiconductor Foundries GmbH
X-FAB GmbH Group	X-FAB Semiconductor Foundries GmbH together with its subsidiaries
X-FAB Dresden	X-FAB Dresden GmbH & Co. KG and X-FAB Dresden Verwaltungs-GmbH
X-FAB France	X-FAB France SAS
X-FAB TX	X-FAB Texas Inc.
X-FAB Sarawak	X-FAB Sarawak Sdn. Bhd.
X-FAB Japan	X-FAB Japan K.K.
XMF	X-FAB MEMS Foundry GmbH

1. Comments on the condensed consolidated interim financial statements

1.1 Summary of most important developments

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the Group's financial statements for the year ended December 31, 2018.

Highlights

In the first half of 2019, total revenue amounted to USD 262,565 thousand (first half of 2018: USD 299,027 thousand), a decrease of 12% compared to the same period in the previous year.

X-FAB's core business, namely automotive, industrial, and medical, came in at USD 187,133 thousand (first half of 2018: USD 206,297 thousand) and a decrease of 9% in line with the ongoing weakness of the automotive market. Uncertainties in the market continued throughout the second quarter, especially due to the ongoing trade war between the US and China. Combined with the low visibility going forward customers remained very cautious in their ordering behavior and carried on to reduce their inventories.

X-FAB's core business generated 71.3% of total revenue (first half of 2018: 69%). While production revenues dropped, prototyping revenues in the core business remained stable.
Consumer, Communications & Computer business ("CCC business") based on X-FAB technologies came in at USD 74,872 thousand (first half of 2018: USD 91,886 thousand). This is a year-on-year decline of 19%. This was mainly due to a decrease of the legacy business in X-FAB France.

Revenue breakdown

in millions of U.S. dollars	Half-year ending Dec 31, 2017	Half-year ending Jun 30, 2018	Half-year ending Dec 31, 2018	Half-year ending Jun 30, 2019	Half-year y-o-y growth
Automotive	139.9	147.8	136.3	126.6	-14%
Industrial	39.0	48.1	48.1	47.4	-1%
Medical	13.5	10.4	13.6	13.1	26%
Subtotal core business	**192.4**	**206.3**	**198.0**	**187.1**	**-9%**
	65.4%	69.0%	68.5%	71.3%	
CCC	100.3	91.9	90.3	74.9	-19%
Others	1.7	0.8	0.6	0.6	-33%
Total revenues	**294.4**	**299.0**	**288.9**	**262.6**	**-12%**

As described in the explanatory notes, there has been a change in the method of calculating the expenses recorded for leased assets which affects the amounts reported for cost of sales, research and development costs, and accordingly amounts for EBIT and EBITDA derived from these expenses. On initial application of IFRS 16 – Leases from January 1, 2019 certain assets held under lease arrangements which were previously not recognized in the balance sheet have been recognized as right-of-use assets. This has resulted in a change to the method of reporting the costs incurred for use of the assets, i.e. the payment of the lease installments. The expense incurred in the first half of 2019 for the leasing payments (USD 1,963 thousand) that had been recorded in previous periods, including the comparative period, is no longer reported from January 1, 2019. Instead, depreciation (USD 1,826 thousand) on the asset is recorded and the interest element (USD 363 thousand) of the leasing cost is recorded as an interest expense in the financial result. Due to the cumulative catch-up approach applied on transition, the comparative figures have not been restated. Had there been no change in the accounting requirements the EBIT and EBITDA in the first half of 2019 would have amounted to USD -15,995 thousand and USD 16,328 thousand instead of USD -15,858 thousand and USD 18,291 thousand, respectively, on a comparable basis with the accounting method applied in 2018.

Cost of sales

Costs of sales include material expenses such as raw materials, the costs of maintaining fixed assets, depreciation, staff costs and cost for external services. In 2019, cost of sales decreased by USD 1,378 thousand or 0.6% compared to 2018 as a consequence of the decrease in revenue.

The cost of sales includes depreciation of USD 1,826 thousand (first half of 2018: none) on right-of-use assets which have been recognized as depreciable assets for the first time under the requirements of IFRS 16. The cost of sales in the first half of 2018 included USD 1,963 thousand (first half of 2019: none) expenses for operating leases which have no longer been recorded as operating leases from January 1, 2019 as the underlying leased assets have been recognized under the requirements of IFRS 16. Due to the cumulative catch-up approach applied on transition, the comparative figures have not been restated.

Research and development expenses

Research and development expenses amounted to USD 13,628 thousand in the first half of 2019, representing 5% of revenue (first half of 2018: USD 16,126 thousand, 5% of revenue). The decrease of 15% (USD 2,498 thousand) compared to the previous year's six-month period corresponds with the decrease in revenue in 2019. The Group's research and development activities focus on development of new fabrication processes, optimization of existing processes using the Group's key process technologies and development of new integrated circuit features in order to meet the customers' analog/mixed signal needs.

General, administrative, and selling expenses

General and administrative expenses and selling expenses remain on the same level compared to the first half of 2018.

Financial result

The net financial result increased by USD 3,951 thousand in the first half of 2019 compared to the first half of 2018. There is no effect relating to fair value changes of derivatives in the first half of 2019 (first half of 2018: USD 4,096 thousand). In addition, the financial result includes interest of USD 363 thousand (first half of 2018: none) on lease liabilities for leasing arrangements in which the leased assets have been recognized as depreciable assets for the first time under the requirements of IFRS 16.

Net income

The Group recorded loss for the period for the first half of 2019 of USD 18,446 thousand compared to a profit of USD 15,032 thousand in the first half of 2018.

The announcement of third quarter results will take place on October 29, 2019.

1.2 Risk factors

The following risk factors may affect X-FAB's business, financial condition, and results of operations; the list is not exhaustive:

- the difficulty to forecast revenues accurately due to marked uncertainty;
- the highly competitive nature of the semiconductor industry;
- the increase in demand for analog/mixed-signal ICs and the increase in market share by foundries which the Group anticipates may not materialize;
- a significant portion of the Group's revenue comes from a relatively limited number of customers;
- dependence on key personnel; ability to recruit and retain qualified personnel;
- difficulties in further integrating operations at its principal locations;
- risks associated with potential future acquisitions;
- the Group's dependence on successful technological advances for growth;
- risks associated with currency fluctuations;
- difficulties in forecasting demand and therefore the risk of not being able to match its production capacity to demand;
- the partial dependence of the Group on its ability to protect its proprietary technology in order to compete successfully and achieve future growth;
- risk of a global systemic economic or financial crisis, increased political uncertainty, or increased economic protectionism, and
- the importance of significant shareholders.

1.3 Events after the reporting period

There have been no reportable events subsequent to the reporting date.

1.4 Board of Directors

X-FAB SE is controlled by XTRION NV and Sarawak Technology Holdings Sdn. Bhd. XTRION NV is a Belgian company which is controlled directly and/or indirectly by Roland Duchâtelet, Rudi De Winter and Françoise Chombar. Roland Duchâtelet is also chairman of the Supervisory Board of X-FAB GmbH and a member of the board of directors of X-FAB SE. Roland Duchâtelet and Françoise Chombar are also directors of Melexis NV. X-FAB SE's Board of Directors manages the Company in accordance with the principles laid down in the Articles of Association and makes decisions on general policy, including assessment and approval of strategic plans and budgets, supervision of reports and internal audits, and other tasks assigned by law to the Board of Directors. In accordance with the Companies Code, the Board of Directors has appointed Sensinnovat BVBA, represented by Mr. Rudi De Winter as managing director (CEO), to whom it has delegated its managerial powers with the exception of general policy and all actions that are reserved to the Board of Directors by statutory provisions.

The CEO is appointed by the Board of Directors for an indefinite period, unless the Board of Directors decides otherwise.

The directors of the Company at June 30, 2019 were as follows:

Name	Position
Dato Sri Ahmad Tarmizi Bin Sulaiman	Chairman of the Board (non-executive director)
Sensinnovat BVBA (represented by Rudi De Winter)	Managing Director, CEO
Roland Duchâtelet	Non-executive director
Hans-Jürgen Straub	Non-executive director
Tan Sri Dr. Hamid Bin Bugo	Non-executive director
Aurore NV (represented by Christine Juliam)	Non-executive and independent director
Christel Verschaeren	Non-executive and independent director
Estelle Iacona	Non-executive and independent director
VlinVlin BVBA (represented by Ling Qi)	Non-executive and independent director

2. Condensed consolidated interim financial statements

2.1 Condensed consolidated statement of profit and loss and other comprehensive income

in thousands of U.S. dollars	Note	For the six months ended June 30	
		2019	2018
Revenue	2.5.5.1/2.5.5.13/ 2.5.5.15	262,565	299,027
Cost of sales		(242,466)	(243,844)
Gross profit		**20,099**	**55,183**
Research and development expenses		(13,628)	(16,126)
Selling expenses		(4,003)	(4,148)
General and administrative expenses		(15,563)	(15,403)
Rental income and expenses from investment properties		(187)	1,009
Impairment loss on trade receivables		99	(299)
Other income and other expenses		(2,676)	(827)
Operating profit		**(15,859)**	**19,389**
Finance income	2.5.5.2	6,961	14,515
Finance costs	2.5.5.3	(7,586)	(19,091)
Net financial result		**(625)**	**(4,576)**
Profit before taxes		**(16,484)**	**14,813**
Income tax	2.5.5.4	(1,962)	219
Profit/(loss) for the period		**(18,446)**	**15,032**
Attributable to:			
Equity holders of the parent		(18,456)	15,020
Non-controlling interest	2.5.5.10	10	12

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Condensed consolidated statement of profit and loss and other comprehensive income (continued)

in thousands of U.S. dollars	Note	For the six months ended June 30	
		2019	2018
Profit for the period		(18,446)	15,032
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit liability/(asset)		(741)	-
Wholly comprising items that are or may be transferred to profit or loss as follows:			
Foreign currency translation differences for foreign operations		56	49
Income tax on other comprehensive income		-	-
Other comprehensive income for the period, net of income tax		(685)	49
Total comprehensive income for the period		**(19,131)**	**15,081**
Total comprehensive income attributable to			
Owners of the Company		(19,141)	15,069
Non-controlling interest		10	12
Total comprehensive income for the period		**(19,131)**	**15,081**
Weighted average number of shares outstanding, basic and diluted		130,631,921	130,631,921
Earnings per share			
Basic and diluted (in U.S. dollars)	2.5.5.5	-0.14	0.11

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

2.2 Condensed consolidated statement of financial position

in thousands of U.S. dollars	Note	June 30, 2019	December 31, 2018
ASSETS			
Non-current assets			
Property, plant, and equipment	2.5.5.6	373,832	345,626
Investment properties		9,362	9,415
Intangible assets		8,462	9,023
Non-current investments		706	381
Other non-current assets	2.5.5.8	26,692	20,594
Deferred tax assets	2.5.5.4	34,328	34,234
Total non-current assets		**453,382**	**419,273**
Current assets			
Inventories	2.5.5.7	157,959	147,150
Trade and other receivables	2.5.5.15	62,870	71,378
Income tax receivables		180	1,069
Other assets	2.5.5.8	30,877	25,630
Cash and cash equivalents	2.5.5.9	171,232	242,768
Total current assets		**423,118**	**487,995**
Total assets		**876,500**	**907,268**
EQUITY AND LIABILITIES			
Equity			
Share capital	2.5.5.10	432,745	432,745
Share premium	2.5.5.10	348,709	348,709
Retained earnings		(103,979)	(84,782)
Cumulative translation adjustment		(483)	(539)
Treasury shares		(770)	(770)
Total equity attributable to equity holders of the parent		**676,222**	**695,363**
Non-controlling interests		363	364
Total equity		**676,585**	**695,727**
Non-current liabilities			
Non-current loans and borrowings	2.5.5.11	76,417	72,328
Non-current provisions		81	86
Other non-current liabilities		7,360	7,360
Total non-current liabilities		**83,858**	**79,774**
Current liabilities			
Trade payables	2.5.5.12/2.5.5.15	28,778	45,889
Current loans and borrowings	2.5.5.11	32,456	31,632
Income tax payable		2,221	1,901
Provisions		2,228	3,206
Other current liabilities	2.5.5.12	50,374	49,139
Total current liabilities		**116,057**	**131,767**
Total equity and liabilities		**876,500**	**907,268**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

2.3 Condensed consolidated statement of changes in equity

in thousands of U.S. dollars	Note	Shares issued and fully paid	Share capital	Share premium	Retained earnings	Cumulative translation adjustment	Treasury shares	Total attributable to owners of the parent	Non-controlling interests	Total equity
At January 1, 2018		**130,781,669**	**432,745**	**348,709**	**(106,814)**	**(493)**	**(770)**	**673,377**	**357**	**673,734**
Profit for the period					15,020			15,020	12	15,032
Currency translation effect						49		49	-	49
Total comprehensive income		-	-	-	**15,020**	**49**	-	**15,069**	**12**	**15,081**
Transactions with owners of the Company										
Dividends to non-controlling interests (GVG)									(12)	(12)
Total transactions with owners of the Company		-	-	-	-	-	-	-	**(12)**	**(12)**
At June 30, 2018		**130,781,669**	**432,745**	**348,709**	**(91,794)**	**(444)**	**(770)**	**688,446**	**357**	**688,803**
Profit for the period					7,513			7,513	7	7,520
Remeasurement of defined benefit plans					(501)			(501)		(501)
Currency translation effect						(95)		(95)	-	(95)
Total comprehensive income		-	-	-	**7,012**	**(95)**	-	**6,917**	**7**	**6,924**
Transactions with owners of the Company										
Dividends to non-controlling interests (GVG)									-	-
Total transactions with owners of the Company		-	-	-	-	-	-	-	-	-
At December 31, 2018		**130,781,669**	**432,745**	**348,709**	**(84,782)**	**(539)**	**(770)**	**695,363**	**364**	**695,727**
Profit/(loss) for the period					(18,456)			(18,456)	10	(18,446)
Remeasurement of defined benefit plans					(741)			(741)		(741)
Currency translation effect						56		56	-	56
Total comprehensive income		-	-	-	**(19,197)**	**56**	-	**(19,141)**	**10**	**(19,131)**
Transactions with owners of the Company										
Dividends to non-controlling interests (GVG)									(11)	(11)
Total transactions with owners of the Company		-	-	-	-	-	-	-	**(11)**	**(11)**
At June 30, 2019		**130,781,669**	**432,745**	**348,709**	**(103,979)**	**(483)**	**(770)**	**676,222**	**363**	**676,585**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

2.4 Condensed consolidated statement of cash flows

in thousands of U.S. dollars	Note	For the six months ended June 30	
		2019	2018
Cash flow from investing activities:			
Profit/(loss) for the period		(18,446)	15,032
Income tax		1,962	(219)
Profit/(loss) before taxes		**(16,484)**	**14,813**
Reconciliation of net income to cash flow arising from operating activities:		**33,639**	**31,897**
Depreciation and amortization, before effect of grants and subsidies	2.5.5.6	34,149	29,413
Amortization of investment grants and subsidies		(1,487)	(1,639)
Interest income and expenses (net)	2.5.5.2/2.5.5.3	842	654
Loss/(gain) on the sale of plant, property and equipment (net)		6	671
Loss/(gain) on the change in fair value of derivatives and financial assets (net)	2.5.5.14	(325)	3,206
Currency differences (net)	2.5.5.2/2.5.5.3	898	235
Other non-cash transactions (net)		(444)	(643)
Changes in working capital:		**(24,909)**	**(14,238)**
Decrease/(increase) of trade and other receivables		8,740	863
Decrease/(increase) of other assets		(11,093)	(163)
Decrease/(increase) of inventories		(10,808)	(13,097)
(Decrease)/increase of trade payables		(10,863)	(7,055)
(Decrease)/increase of other liabilities		(885)	5,214
Income taxes (paid)/received		(510)	(148)
Cash flow from operating activities		**(8,264)**	**32,324**
Payments for property, plant, equipment, and intangible assets		(44,740)	(38,497)
Payments for investments in investment properties		(16)	-
Payments for investments		(350)	-
Payments for loan investments to related parties		(161)	(127)
Proceeds from loan investments related parties		133	96
Proceeds from the sale of property, plant, and equipment		40	18
Interest received		1,287	1,413
Cash flow used in investing activities		**(43,807)**	**(37,097)**
Cash flow from financing activities:			
Proceeds from loans and borrowings		-	-
Repayment of loans and borrowings	2.5.5.11	(14,583)	(16,562)
Payments of lease installments		(2,774)	(1,314)
Receipt of government grants and subsidies		-	357
Interest paid		(810)	(1,133)
Dividends to non-controlling interests		(11)	(12)
Cash flow from financing activities		**(18,178)**	**(18,664)**
Effects of changes in foreign currency exchange rates on cash balances		**(1,287)**	**(453)**
Increase/(decrease) of cash and cash equivalents		(70,249)	(23,437)
Cash and cash equivalents at the beginning of the period		**242,768**	**319,235**
Cash and cash equivalents at the end of the period		**171,232**	**295,345**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

2.5 Notes to the condensed consolidated interim financial statements

2.5.1. Company information

X-FAB Silicon Foundries SE (hereafter referred to as “X-FAB SE,” “the Company,” or “the parent company” and, together with its subsidiaries, as “X-FAB SE Group” or “the Group”) is a European limited company (Societas Europaea/SE) registered under the number BE0882.390.885 in Hasselt, Belgium. The Company is a holding company for the Group’s investments in pure play semiconductor wafer companies. The Company’s registered address is Transportstraat 1, 3980 Tessenderlo, Belgium.

The X-FAB SE Group is one of the world’s leading pure-play foundry providers specializing in analog/mixed-signal technologies. As a pure-play foundry, the Group develops its own technologies, offering its customers a comprehensive range of product development (design support) and production services. The X-FAB SE Group manufactures integrated circuits to customers’ designs, supplying these in the form of silicon wafers.

2.5.2 Basis of preparation

2.5.2.1 Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as endorsed by the European Union. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended December 31, 2018.

The condensed consolidated interim financial statements of X-FAB SE Group were authorized for issue in accordance with a resolution of the directors on September 5, 2019.

2.5.2.2 Use of estimates and judgments

In preparing these condensed consolidated interim financial statements management has made judgements, assumptions, and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2018. In addition, judgements have been made in respect of IFRS 16, which has been applied for the first time from January 1, 2019.

Measurement of fair values

A number of the Group’s accounting policies and disclosures require the measurement of fair values, both for financial and non-financial assets and liabilities.

If third party information is used to measure fair values, the evidence obtained from third parties is assessed to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible.

Fair values are classified into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group measures transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

2.5.3 Summary of significant accounting policies

With the exception of the changes in accounting policies due to adoption of the new IFRS standard IFRS 16, the accounting policies applied are consistent with those applied in the annual consolidated financial statements ended December 31, 2018. The effects of the changes due to adoption of the new IFRS standard IFRS 16 are disclosed in notes 1.1, 2.5.4. and 2.5.5.3.

The policy for recognizing and measuring income taxes in the interim period is described in note 2.5.5.4.

2.5.4 New accounting pronouncements

The following new standards and amendments to standards are effective for annual periods beginning on or after January 1, 2019:

Standard/interpretation	Effective Date
IFRS 16 Leases	January 1, 2019
IFRIC 23 Uncertainty over Income Tax Treatments	January 1, 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	January 1, 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	January 1, 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 3 Business Combinations*	January 1, 2020
Amendments to IAS 1 and IAS 8: Definition of Material*	January 1, 2020
Amendments to References to the Conceptual Framework in IFRS Standards*	January 1, 2020
IFRS 17 Insurance Contracts*	January 1, 2021

**Not yet endorsed by the European Union.*

Earlier application of these standards is permitted; however, the Group has not early adopted the new or amended standards which are applicable to future periods in preparing these condensed consolidated interim financial statements.

The Group has initially adopted IFRS 16 Leases from January 1, 2019. None of the other new or amended standards and interpretations is expected to have a significant effect on the consolidated financial statements of the X-FAB SE Group. The Group does not plan to adopt these standards early.

IFRS 16 Leases

The Group has initially adopted IFRS 16 Leases from January 1, 2019. IFRS 16 Leases replaces existing guidance on how an IFRS reporter will recognize, measure, present, and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize right-of-use assets representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value assets. Lessor accounting remains similar to previous accounting policies under the predecessor standard IAS 17, with lessors continuing to classify leases as operating or finance leases.

The Group has applied IFRS 16 using the modified retrospective approach under the IFRS 16 transition provisions under which the cumulative effect of initial application is recognized in the consolidated statement of financial position at January 1, 2019. Under this approach the comparative information presented for 2018 has not been restated, i.e. it is presented as previously reported in accordance with IAS 17. The reported amounts in the consolidated statement of financial position at January 1, 2019 for the right-of-use assets recognized for leased assets as a result of the initial implementation of IFRS 16, to the extent that they were not already recognized under the predecessor accounting standards, have been recognized at the same amounts as the associated leasing liabilities. Accordingly, there is no effect on equity on transition to IFRS 16. Further details on the change in accounting policies are presented below.

Definition of a lease

From January 1, 2019 the Group assesses whether a contract is, or contains a lease based on the new definition of a lease under IFRS 16. Under the new definition a contract is, or contains a lease if a contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Previously, the Group determined at lease inception whether an arrangement was or contained a lease under the requirements of the predecessor standard IAS 17 and the interpretation IFRIC 4 Determining Whether an Arrangement contains a Lease.

On transition to IFRS 16 the Group decided to apply the practical expedient to grandfather the assessment of which transactions are leases, and applied IFRS 16 only to contracts that were previously defined as leases. Contracts which were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Accordingly, the definition of a lease under IFRS 16 has only been applied to contracts entered into or changed on or after January 1, 2019.

The Group as lessee

The assets held under the Group’s leasing arrangements are primarily commercial properties, production equipment, and infrastructure equipment. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership to the lessee.

Under IFRS 16 the Group recognizes right-of-use assets and lease liabilities for most assets, i.e. these are presented on-balance sheet. However, the Group has elected to not to recognize right-of-use assets and lease liabilities for leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The Group has not applied a simplification election available under IFRS 16 not to separate non-lease components of a lease. At inception or on reassessment of a contract that contains a lease component the Group allocates the consideration in the contract to each lease and non-lease component of the respective contract on the basis of their relative stand-alone prices.

The Group presents right-of-use assets within “property, plant, and equipment”, the same line as it presents underlying assets of the same nature that are owned by the Group. The Group does not hold any properties under leases which are classified as investment properties.

The Group presents lease liabilities within “loans and borrowings”, classified between current and non-current liabilities as appropriate.

Significant accounting policies for leases as from 01/01/2019

The Group recognized a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses an estimate of its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the amount of lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual guarantee, or as appropriate, by changes resulting from amendments to the assessment of whether a purchase or extension option is reasonably certain to be exercised or whether a termination option is reasonably certain to be exercised.

Some of the Group's lease contracts include renewal or termination options. In order to determine the lease term for these contracts the Group took into account all relevant facts and circumstances in order to assess whether it's reasonably certain that these options will be exercised. This assessment has an impact on the term of the lease, which has a significant effect on the amount of the lease liabilities and the measurement of the right-of-use asset recognized.

Accounting for leases on transition

The assets recognized on transition represents commercial properties, production equipment, and infrastructure equipment which has been recognized from January 1, 2019 on the initial application of IFRS 16. They also include production equipment and infrastructure equipment which had already been recognized on-balance sheet prior to the initial application of IFRS 16. The leases are for assets at different locations and are denominated in euros and Malaysian ringgit. Some of these leases include clauses providing for early termination or for lease extensions, the assumption of whether these will be exercised has been made based on the facts and circumstances in each case, which depend on the remaining length of time until the option can be exercised, the terms of the lease, and the nature of the asset.

On initial application of IFRS 16 the right-of-use assets and lease liabilities of leases which had previously been recognized on-balance sheet under IAS 17 were measured at the same amounts as in the consolidated financial statements for the year ended December 31, 2018. The lease liabilities arising under lease arrangements which had previously not been recognized on-balance sheet under IAS 17 were measured on initial application of IFRS 16 at the present value of the remaining lease payment obligations, discounted at the Group's estimate of its incremental borrowing rate at January 1, 2019; the associated right-of-use assets were measured at an amount equal to the liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17 (i.e. previously not recognized on-balance sheet).

- The exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term remaining was applied.
- Initial direct costs were excluded from the measurement of right-of-use assets at the date of initial application.
- Hindsight was used to determine the lease term if the contract includes options to extend or terminate lease.

As described above, on transition to IFRS 16 the Group recognized additional right of use assets of USD 21,786 thousand and leasing liabilities of USD 21,786 thousand. These are recognized in addition to assets already recognized under previous accounting standards as assets held under finance leases. The right-of-use assets are presented within the category property, plant, and equipment in the balance sheet. There was no effect on retained earnings as under the transition approach selected the additional amounts recognized are recognized at the same amount as the lease liability recorded on transition, as described above.

When measuring the lease liabilities for initial application of IFRS 16 on January 1, 2019 the Group discounted lease payments using an estimate of its incremental borrowing rate at January 1, 2019. The estimated incremental borrowing rates used at January 1, 2019 ranged from 0.28%–2.18%, for euro denominated leases and from 4.00% to 5.47% for ringgit denominated leases, depending on the remaining term of the respective leases, and were determined based on an interest free base borrowing rate and a risk premium appropriate to the Group's rating.

The Group as lessor

The Group is lessor at several locations where it leases commercial property which is owned by the Group but not used for its own commercial business purposes. These leases have been classified as operating leases.

The accounting policies applicable to the Group as a lessor are not different to the accounting policies applied under IAS 17. The Group is not an intermediate lessor in such arrangements. The Group was not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. However, the Group has applied IFRS 15 revenue from contracts with customers to allocate consideration in the respective contracts to each lease and non-lease component.

2.5.5 Notes

2.5.5.1 Revenue

Revenue comprises the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2019	2018
Gross revenue PCM wafer	231,277	273,509
Gross revenue NRE and technology services	33,458	27,190
Other revenue	8	12
Discounts and warranty credit notes	(2,178)	(1,684)
Total	**262,565**	**299,027**

Revenue from PCM wafer sales are recognized at the specific point in time when the wafers are delivered to the customer. Revenue from NRE and technology services is recognized over time, based on milestones which are a reasonable approximation of the progress to complete the performance obligation.

2.5.5.2 Finance income

Finance income comprises the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2019	2018
Interest on financial assets measured at amortized cost:		
Cash and cash equivalents	1,218	1,502
Change in fair value of financial assets and liabilities at fair value through profit or loss:		
Change in fair value of derivative financial instruments	-	242
Gains on other financial assets classified as held for trading	325	167
Income from exchange rate differences	5,417	12,604
Total	**6,960**	**14,515**

Exchange rate income contains the translation effects from retranslation of the euro-denominated cash and euro-denominated loans.

2.5.5.3 Finance costs

Finance costs comprise the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2019	2018
Interest on financial liabilities measured at amortized cost:		
Loans and borrowings	(2,061)	(2,156)
Change in fair value of financial assets and liabilities at fair value through profit or loss:		
Change in fair value of derivative financial instruments	-	(4,096)
Loss on other financial assets classified as held for trading	-	-
Expenses from exchange rate differences	(5,526)	(12,839)
Total	**(7,587)**	**(19,091)**

Exchange rate expenses primarily contain the translation effects of euro-denominated loans and cash. Reference is made to note 2.5.5.11. The net loss from derivative financial instruments results from the decrease of the positive fair value compared to prior year due to termination of currency hedge contracts.

Interest expenses from loans and borrowings includes interest on liabilities arising under leasing arrangements for assets held under leases and recognized as right-of-use assets in accordance with IFRS 16. The expense includes an amount of USD 363 thousand (first half of 2018: none) on lease liabilities for leasing arrangements in which the leased assets have been recognized as depreciable assets for the first time under the requirements of IFRS 16 from January 1, 2019.

2.5.5.4 Income taxes

Income tax expense is recognized at an amount determined by multiplying the profit before tax for the interim reporting period by the expected effective tax rate of the year.

The income tax expense comprised the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2019	2018
Current taxes:		
Actual income tax charge for the period	(2,055)	(2,487)
Adjustment of prior years' tax charges	-	-
	(2,055)	**(2,487)**
Deferred taxes	**92**	**2,706**
Total	**(1,963)**	**219**

Changes in recognized deferred tax assets resulted in an increase of the deferred tax asset of USD 92 thousand (2018: income of USD 2,706 thousand). The increase in deferred tax assets recognized on property, plant, and equipment is mainly due to recognition of previously unrecognized deferred tax assets in Malaysia for the amount of USD 159 thousand (2018: USD 2,706 thousand), which has been estimated as a pro-rata amount of the expected recognition for the full financial year 2019. Assumptions and calculation approach for deferred taxes were consistently applied as done per December 31, 2018. Actual income tax expenses mainly refer to accrued income taxes to be paid in Belgium and Germany.

2.5.5.5 Earnings per share

The earnings per share is calculated by dividing the profit for the period attributable to the ordinary shareholders (as reported in the condensed interim statement of profit and loss and other comprehensive income) by the weighted average number of shares in issue during the period.

There were 130,781,669 shares in issue at January 1 and June 30 in both periods, and the weighted average number of ordinary shares outstanding was 130,631,921 in both periods.

There are no diluting effects on the earnings per share in the current or previous period.

2.5.5.6 Property, plant, and equipment

in thousands of U.S. dollars	Land	Buildings	Technical machinery and equipment	Factory and office equipment	Assets under construction	Total
Net book value December 31, 2018	**13,834**	**39,957**	**228,427**	**5,944**	**57,464**	**345,626**
Accumulated historical cost December 31, 2018	**13,928**	**103,263**	**953,521**	**24,556**	**58,858**	**1,154,126**
Right of use assets recognized on initial application of IFRS 16	-	-	21,786	-	-	21,786
Additions	81	609	3,924	647	32,519	37,780
Disposals	-	-	(1,876)	(259)	-	(2,135)
Reclassifications	266	3,033	14,974	664	(19,382)	(445)
Effect of changes in exchange rates	-	-	-	71	(11)	60
Accumulated historical cost June 30, 2019	**14,275**	**106,905**	**992,329**	**25,679**	**71,984**	**1,211,172**
Accumulated depreciation December 31, 2018	**(94)**	**(63,306)**	**(725,094)**	**(18,612)**	**(1,394)**	**(808,500)**
Additions	(13)	(1,503)	(27,925)	(1,466)	-	(30,907)
Disposals	-	-	1,838	252	-	2,090
Reclassifications	-	28	-	-	-	28
Effect of changes in exchange rates	-	-	-	(51)	-	(51)
Accumulated depreciation June 30, 2019	**(107)**	**(64,781)**	**(751,181)**	**(19,877)**	**(1,394)**	**(837,340)**
Net book value June 30, 2019	**14,168**	**42,124**	**241,148**	**5,802**	**70,590**	**373,832**

Assets under construction contain purchases of technical machinery and equipment in all X-FAB sites.

2.5.5.7 Inventories

in thousands of U.S. dollars	June 30, 2019	December 31, 2018
Materials and supplies	111,240	93,869
Work in progress	44,448	50,794
Finished goods	9,149	9,284
Merchandise	6	-
Write-downs	(6,884)	(6,797)
Total	**157,959**	**147,150**

Increases in raw materials and supplies resulted from the build-up of inventories in preparation for higher output.

Allowances of USD 768 thousand (2018: USD 54 thousand) have been recorded against inventories and recognized as an expense in the period.

2.5.5.8 Other assets

Other assets comprise the following:

in thousands of U.S. dollars	June 30, 2019	December 31, 2018
Taxes (other)	5,569	7,743
Prepaid expenses	13,383	8,012
R&D grants receivable	7,761	5,478
Investment grants and subsidies receivable	35	61
Deposits	717	704
Receivables from energy surcharges	1,953	2,981
Rents receivables	204	-
Advances	106	-
Other	1,149	651
Total	**30,877**	**25,630**

The increase in prepaid expenses relates to prepayments made for raw wafers in the amount of USD 3,500 thousand.

Other non-current assets increased by USD 6,098 thousand. This amount refers to research and development tax credits and competitiveness and employment tax credits attributable to X-FAB France.

2.5.5.9 Cash and cash equivalents

Cash and cash equivalents comprise the following:

in thousands of U.S. dollars	June 30, 2019	December 31, 2018
Cash and bank balances	166,606	238,944
Cash pooling balances	1,778	1,025
Term deposits	2,848	2,800
Total	**171,232**	**242,769**

An analysis of the movements of cash and cash equivalents is reported in the cash flow statement.

2.5.5.10 Equity

Share capital

X-FAB Silicon Foundries SE has 130,781,669 fully paid-in shares in issue throughout the reporting period for the first six months of 2019 and 2018.

Share premium

The share premium of X-FAB Silicon Foundries SE amounts to EUR 348,709 thousand (December 31, 2018: USD 348,709 thousand).

Retained earnings

Retained earnings represent the historical balance of cumulative losses of the Group together with the cumulated balance of the re-measurement of defined benefit plans attributable to owners of the parent. The negative retained earnings primarily result from the Group's acquisition of X-FAB Sarawak Sdn. Bhd. under a "reverse acquisition transaction" in 2006.

Cumulative translation adjustment

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations that have functional currencies other than USD.

Treasury shares

At June 30, 2019 the Group held 149,748 treasury shares (after the share split) of X-FAB Silicon Foundries SE held by its fully owned subsidiary X-FAB GmbH. Based on the purchase price of EUR 11.25 per share (before the share split), the treasury shares reduced the equity capital of the parent company by USD 770 thousand (December 31, 2018: USD 770 thousand).

2.5.5.11 Current and non-current loans and borrowings

The carrying amounts of the Group's loans and borrowings are shown in the following table:

in thousands of U.S. dollars	June 30, 2019	December 31, 2018
Bank loans and overdrafts		
Used credit lines denominated in EUR - variable rates Interest rates: EURIBOR +3.0%	312	-
Fixed interest bank loans denominated in EUR Maturity: 2019-2021 Interest rates: 1.4%–2.7% Repayments in monthly or quarterly installments	39,130	50,009
Variable interest bank loans denominated in EUR Maturity: 2019-2021 Interest rates: EURIBOR + 1.58%-EURIBOR + 2% Repayments in quarterly installments	14,299	18,926
Loan State Financial Secretary of Sarawak denominated in USD Maturity: 2030 Interest free and 2.0% preference dividend Repayment at maturity date	31,657	30,523
Leasing arrangements		
Liabilities for leases denominated in EUR Maturity: 2019-2021 Interest rates: 0.6-4.84% Repayment in monthly installments	3,348	4,501
Liabilities for leases recognized on application of IFRS 16 (as per January 1, 2019: USD 21,786 thousand) denominated in EUR and MYR Maturity: 2019-2034 Interest rates: 0.28-4.66% Repayment in monthly installments	20,127	-
Total	**108,873**	**103,959**
Current loans and borrowings	**32,456**	**31,632**
Non-current loans and borrowings	**76,417**	**72,327**

The Group's exchange rate gains and losses include expenses for realized and unrealized exchange rate gains of USD 647 thousand resulting from the translation of euro-denominated loans (2018: gains of USD 2,751 thousand). Loans and finance lease obligations totaling USD 17,357 thousand have been repaid in the first six months of 2019 (2018: USD 17,876 thousand).

2.5.5.12 Other current liabilities

Other current liabilities comprise the following:

in thousands of U.S. dollars	June 30, 2019	December 31, 2018
Accrued liabilities	**22,502**	**22,387**
For invoices not yet received	20,529	20,726
Repayment of electricity cost discounts	-	10
Royalties	371	350
Sales commission	333	317
Staff association	189	549
Other	1,080	435
Advances received	6,420	6,495
Derivatives	120	317
Deferred income	875	1,171
Employee-related liabilities	**20,263**	**18,725**
Wages	3,614	2,239
Earned holiday entitlement, incentives	9,567	8,461
Payroll taxes	3,268	3,770
Social security costs	3,814	4,255
Other	192	44
Total	**50,372**	**49,139**

2.5.5.13 Segment reporting

The following table shows an analysis of revenue (based on the customer's billing location) for the reporting period:

in thousands of U.S. dollars	For the six months ended June 30	
	2019	2018
Europe	**154,161**	**184,004**
Germany	25,405	29,714
France	4,404	4,307
United Kingdom	17,388	11,671
Belgium	92,750	120,551
Austria	5,752	6,596
Sweden	1,144	3,718
Switzerland	2,656	3,272
Denmark	1,702	880
Finland	970	550
Other	1,990	2,745
Asia	**48,397**	**57,951**
Malaysia	5,599	9,683
Japan	6,682	6,675
China	9,050	11,976
Korea	5,918	5,321
Hong Kong	918	1,195
Thailand	4,513	4,747
Singapore	11,629	15,128
Taiwan	2,152	1,135
New Zealand	821	491
Other	1,115	1,600
United States of America	**59,502**	**56,558**
Rest of the world	**505**	**514**
Total	**262,565**	**299,027**

2.5.5.14 Financial instruments – fair values and risk management

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

June 30, 2019

in thousands of U.S. dollars	Carrying amount	Fair value			
	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at FVTPL					
Investments	706	706	-	-	706
Currency hedge contracts	-	-	-	-	-
Financial assets measured at amortized cost					
Trade and other receivables	62,870				
Cash and cash equivalents	171,232				
Financial liabilities measured at FVTPL					
Interest rate swaps	(120)	-	(120)	-	(120)
Financial liabilities measured at amortized cost					
Trade payables	(28,778)				
Bank loans, overdrafts, and finance lease	(77,216)	-	(77,534)	-	(77,534)
Related party loans	(31,657)	-	(33,457)	-	(33,457)

December 31, 2018

in thousands of U.S. dollars	Carrying amount	Fair value			
	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at FVTPL					
Investments	381	381	-	-	381
Currency hedge contracts	-	-	-	-	-
Financial assets measured at amortized cost					
Trade and other receivables	71,378				
Cash and cash equivalents	242,768				
Financial liabilities measured at FVTPL					
Interest rate swaps	(317)	-	(317)	-	(317)
Financial liabilities measured at amortized cost					
Trade payables	(45,889)				
Bank loans, overdrafts, and finance lease	(73,436)	-	(72,635)	-	(72,635)
Related party loans	(30,523)	-	(30,706)	-	(30,706)

The Group's financial instruments measured at fair value primarily consist of interest rate swaps, as well as an equity investment in a company listed on the NASDAQ stock exchange. The fair value of the forward foreign exchange contracts and interest rate swaps is determined by calculating the present value of the contractually agreed payments at the statement of financial position date by reference to current interest rates and exchange rates (level 2 fair value measurements). The fair value of the equity investment in a company listed on the NASDAQ stock exchange is based on the price quoted for those shares at the reporting date.

The Group measures transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There have been no transfers of assets or liabilities between levels of the fair value hierarchy in the current or previous year.

The fair values of derivatives comprise the following:

in thousands of U.S. dollars	June 30, 2019	December 31, 2018
Outstanding interest hedge contracts	(120)	(317)
Total	**(120)**	**(317)**

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

in thousands of U.S. dollars	June 30, 2019	December 31, 2018
Outstanding interest hedge contracts, maturing within one year	6,329	6,949

Management of risks arising from financial instruments

There have been no significant changes to the Group's financial risk management objectives or in the nature and extent of risks arising from financial instruments described in the consolidated financial statements for the year ended December 31, 2018.

2.5.5.15 Transactions with related parties

Transactions with shareholders and their subsidiaries

X-FAB SE Group undertakes transactions with entities in the XTRION group, a group of companies controlled by XTRION NV, the majority shareholder of X-FAB SE, as part of its normal business activities. These include the purchase of certain work in process and services, as well as the sale of products and provision of services to these companies. XTRION NV is also the parent company of Melexis NV, which develops, designs, and sells integrated circuits to clients such as the automotive industry. The main wafer suppliers for Melexis group are X-FAB SE's subsidiaries. Melexis group also provides final test services as well as design support to X-FAB SE subsidiaries.

The tables below show the balances with shareholders and their subsidiaries included in the statement of financial position.

in thousands of U.S. dollars	June 30, 2019	December 31, 2018
Trade accounts receivable due from Melexis group companies	13,991	15,538
Trade accounts receivable due from Anvo-Systems	1,400	1,409
Trade accounts receivable due from M-MOS group companies	4,397	5,423
Trade accounts receivable due from XTRION	-	9
Trade accounts receivable due from X-Celeprint	109	-
Total	**19,897**	**22,379**

in thousands of U.S. dollars	June 30, 2019	December 31, 2018
Financial liabilities due to Sarawak Technologies Holding Sdn. Bhd.	31,657	30,523
Trade accounts payable due to Melexis group companies	93	119
Trade accounts payable due to XTRION	9	11
Trade accounts payable due to M-MOS	12	-
Trade accounts payable due to Sensinnovat	-	122
Other	25	36
Total	**31,796**	**30,811**

Sales and other income comprises the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2019	2018
Sales to Melexis group companies	93,152	121,003
Sales to M-MOS group companies	5,259	8,112
Sales to Anvo-Systems	70	32
Sales to X-Celeprint	141	18
Other income from Melexis group companies	915	646
Other income from XTRION	-	-
Other income from M-MOS	24	-
Total	**99,561**	**129,811**

Purchases, expenses, and other transactions recorded with shareholders and their subsidiaries were as follows:

in thousands of U.S. dollars	For the six months ended June 30	
	2019	2018
Services provided by Melexis group companies	788	247
Services/purchases provided by M-MOS group companies	10	4
Services provided by X-Celeprint	39	71
Services purchased from Sensinnovat	186	204
Services purchased from ESA	110	103
Warranty cost Melexis group	493	559
Interest from loan from Sarawak Technology Holdings Sdn. Bhd.	1,442	1,109
Total	**3,068**	**2,297**

Significant transactions with the Board of Directors or management did not occur in the reporting period.

2.5.5.16 Commitments

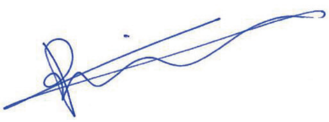
Purchase commitments comprise the following:

in thousands of U.S. dollars	June 30, 2019	December 31,2018
Purchase commitments for		
Property, plant, and equipment	25,984	43,097
Intangible assets	442	584
Material and services	80,688	95,870
Total	**107,114**	**139,551**

Purchase commitments mainly refer to purchase orders placed for investments into technical machinery. With respect to the acquisition of the semiconductor business of Altis Semiconductor the Group committed to invest USD 114 million (EUR 100 million) in the Corbeil-Essonnes site over a period of ten years until September 30, 2026. The remaining investment commitment under this agreement amounts to USD 59 million at June 30, 2019.

Tessenderlo, September 5, 2019

Managing Director, CEO



Sensinnovat BVBA
Represented by Rudi De Winter
CEO

3. Shareholder information

The following table describes the structure of shareholdings in X-FAB Silicon Foundries SE at June 30, 2019:

Company	Number of shares	% of total
Xtrion NV	63,043,079	48.2%
Sarawak Technology Holdings	14,948,655	11.4%
Capital Research and Management Company	6,765,466	5.2%
Threadneedle Asset Management Limited	6,606,784	5.1%
Free float	39,417,685	30.1%
Total	**130,781,669**	**100.0%**

4. Statement of the Board of Directors

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

- the condensed consolidated interim financial statements which have been prepared in accordance with IFRS as adopted by the EU 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

- the interim management's discussion and analysis provides a fair overview of the important events and major transactions of the issuer which occurred during the first six months of the financial year, and their impact on the set of condensed consolidated interim financial statements, and a description of the main risks and uncertainties which the issuer is exposed to.

5. Statutory auditor's review opinion on the condensed consolidated interim financial statements

KPMG

Statutory auditor's report to the board of directors of X-FAB Silicon Foundries SE on the review of the condensed consolidated interim financial information as at June 30, 2019 and for the 6-month period then ended

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of X-FAB Silicon Foundries SE as at June 30, 2019, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the 6-month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). The board of directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at June 30, 2019 and for the 6-month period then ended is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Hasselt, September 5, 2019

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory Auditor
represented by

Herwig Carmans
Réviseur d'Entreprises / Bedrijfsrevisor

Interim Report
June 30, 2019

MIXED-SIGNAL FOUNDRY EXPERTS

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