

The cover features a dark blue background with a glowing blue circuit board pattern. A large orange triangle is positioned in the top right corner. A glowing blue speech bubble is located in the middle left. The text is white and blue, with the company name 'xfab' in a stylized font.

xfab

20 ANNUAL
23 REPORT

"I MAKE THE WORLD
SMARTER TO CREATE
A BETTER AND SAFER
PLACE FOR HUMANITY."

X-FAB SILICON FOUNDRIES

YOUR SPECIALTY FOUNDRY
FOR THE ANALOG WORLD

CONTENTS

1. Letter to our stakeholders	04	4.6 <i>Rental income from investment properties</i>	39
2. X-FAB at a glance	06	4.7 <i>Employee benefits</i>	40
3. Our culture	08	4.8 <i>Property, plant, equipment, and investment properties</i>	40
4. Our business	12	4.9 <i>Intangible assets</i>	40
5. X-FAB consolidated financial statements	26	4.10 <i>Impairment</i>	41
5.1 Summary of important developments	26	4.11 <i>Financial instruments</i>	41
5.2 Statement of the Board of Directors ..	26	4.12 <i>Derivative financial instruments</i> ..	43
5.3 Statutory auditor's report to the general meeting of X-FAB Silicon Foundries SE on the consolidated financial statements as of and for the year ended December 31, 2023	26	4.13 <i>Inventories</i>	44
5.4 Consolidated financial statements	30	4.14 <i>Cash and cash equivalents</i>	44
Notes to the consolidated financial statements	35	4.15 <i>Equity</i>	44
1 Basic information and description of the X-FAB Silicon Foundries SE Group's business	35	4.16 <i>Provisions</i>	44
2 Group structure	35	4.17 <i>Leases</i>	44
3 Basis of preparation	36	4.18 <i>Subsidies</i>	46
3.1 <i>Statement of compliance</i>	36	4.19 <i>Income taxes</i>	46
3.2 <i>Basis of measurement</i>	36	4.20 <i>Changes to accounting policies</i> ..	47
3.3 <i>Functional and presentation currency</i>	36	5 Business combinations	48
3.4 <i>Use of judgments, assumptions, and estimation uncertainties</i>	36	6 Notes to the consolidated statement of profit or loss	49
4 Summary of accounting policies	38	6.1 <i>Revenue</i>	49
4.1 <i>Basis of consolidation</i>	38	6.2 <i>Cost of sales</i>	50
4.2 <i>Foreign currency translation</i>	38	6.3 <i>Research and development expenses</i>	50
4.3 <i>Revenue from contracts with customers</i>	38	6.4 <i>Selling expenses</i>	50
4.4 <i>Research and development expenses</i>	39	6.5 <i>General and administrative expenses</i>	50
4.5 <i>Finance income and finance costs</i>	39	6.6 <i>Expenses by nature</i>	50
		6.7 <i>Rental income from investment properties</i>	51
		6.8 <i>Rental expenses related to investment properties</i>	51
		6.9 <i>Other income</i>	51
		6.10 <i>Other expenses</i>	52
		6.11 <i>Finance income</i>	52
		6.12 <i>Finance costs</i>	52
		6.13 <i>Income tax</i>	52
		6.14 <i>Earnings per share</i>	55
		7 Notes to the statement of financial position	56
		7.1 <i>Property, plant, equipment, and investment properties</i>	56
		7.2 <i>Intangible assets</i>	58

7.3 Inventories	58	6.3 Social	91
7.4 Contract assets	59	6.3.1 Human rights and human resources	91
7.5 Trade and other receivables	59	6.3.2 Social commitment	96
7.6 Other assets	60	6.3.3 Healthy work environment	97
7.7 Cash and cash equivalents	60	6.4 Governance	98
7.8 Equity	61	6.4.1 Anti-corruption and bribery	98
7.9 Dividends	61	6.4.2 X-FAB's supply chain	99
7.10 Non-controlling interests	62	6.4.2.1 Selection and categorization of X-FAB suppliers	99
7.11 Loans and borrowings	62	6.4.2.2 Audits and continual improvement of suppliers	99
7.12 Other non-current liabilities	67	6.4.2.3 Handling of conflict minerals	100
7.13 Trade payables and other current liabilities	68	6.4.3 Data security	100
7.14 Provisions	69	6.4.4 X-FAB's responsibility towards its customers and society	101
8 Notes to the statement of cash flows	69	6.5 EU taxonomy	101
9 Segment reporting	69	7. Corporate governance statement	114
10 Financial instruments – fair values and risk management	71	7.1 Shareholders	114
11 Leases	74	7.2 Management structure	114
12 Transactions with related parties	75	7.3 Board of Directors	115
13 Other disclosures	77	7.4 Committees	117
13.1 Purchase commitments and contingencies	77	7.5 Executive Management	118
13.2 Unresolved legal disputes and claims	77	7.6 Diversity policy	118
13.3 Employees	77	7.7 Remuneration report	118
13.4 List of shareholdings	78	7.8 Policy on certain transactions	122
13.5 Consolidated financial statements of the ultimate parent	78	7.9 Internal control and risk assessment procedures in relation to financial reporting	124
13.6 Auditor and auditor's remuneration	78	7.10 Description of certain information from the Articles of Association and elements pertinent to a takeover bid	124
14 Events after the reporting period	78	7.11 Auditor	126
6. Corporate social responsibility at X-FAB	82	7.12 Compliance with the 2020 Belgian Code on Corporate Governance	126
6.1 Scope	82	8. Shareholder information	127
6.1.1 X-FAB's key environmental, social, and governance (ESG) goals	83	9. X-FAB SE statutory accounts	129
6.1.2 Stakeholder engagement	85	10. Risk factors	131
6.1.3 Digital transformation	87	11. Glossary	135
6.2 Environment	88		
6.2.1 Environmental awareness and responsibility	88		
6.2.2 Materials and waste management	89		
6.2.2.1 Energy efficiency	89		
6.2.2.2 Water	90		
6.2.2.3 Greenhouse gases	91		

Dear stakeholders,



On behalf of the board of directors of X-FAB Silicon Foundries SE, I have the pleasure of submitting to you the annual report for the year ended December 31, 2023, which has been prepared in accordance with articles 3:6 and 3:32 of the Belgian Code on Companies and Associations (BCCA).

2023 was a remarkable year for X-FAB. We recorded record revenues across the board and a significant increase in profitability. We completed the transition of X-FAB's activities towards high-growth, high-value-added business in the automotive, industrial, and medical end markets, and launched an unprecedented expansion program to better serve the strong customer demand.

Full-year revenue in 2023 amounted to USD 906.8 million, up 23% year on year, which includes USD 16.6 million in revenues recognized over time according to IFRS 15. X-FAB has been growing strongly, while the semiconductor market has experienced a fall and recorded a double-digit decline in 2023. X-FAB's strong growth is also a testament to the strength of the key end markets that we serve: annual turnover in automotive, industrial, and medical came in at USD 812.6 million, up 31% year on year.

X-FAB is uniquely positioned with a broad portfolio of specialty technologies, including high-voltage CMOS, silicon carbide and microsystems, tailored to the needs of the automotive, industrial, and medical end markets. Combined with our renowned design support, we enable our customers to develop innovative, sustainable, and energy-efficient products that help to resolve the key challenges of today.

In 2023, we have seen that climate change no longer is a future theory. Global warming is happening now with all the consequences it has. We take pride in providing solutions that support the transition to electric mobility and renewable energy sources, which fueled growth of our automotive and industrial business. Automotive revenue in 2023 came in at USD 539.1 million, up 38% year on year. In the industrial end market, we recorded annual revenue of USD 206.2 million, which is an increase of 19% against the previous year.

Population growth and aging societies demand medical care to keep pace. Semiconductor technology is the answer, as it drives digital transformation and efficiency improvements in the medical sector and significantly improves the prevention, diagnostics, treatment, and monitoring of diseases. In 2023, X-FAB's medical business recorded revenues amounting to USD 67.3 million, up 21% year on year, driven by the increasing use of wearable medical devices as well as the growing demand for testing and point-of-care devices. In particular, our capability to combine CMOS and MEMS technology as well as our systems integration expertise to add value on wafer level enables innovative medical solutions, which contributed to the growth of our medical business.

Looking at the revenue by technology underlines the successful development of the past year. In 2023, revenue with our CMOS technologies came in at USD 722.4 million, up 19% year on year. SiC revenues amounted to USD 72.6 million, recording a strong growth of 33% year on year, and microsystems revenue increased by 26% year on year to a total of USD 95.2 million. A highlight in 2023 was the introduction of the industry's first 110nm BCD-on-SOI solution. With this technology we address the next generation of automotive, medical, and industrial smart power applications and have already received overwhelming interest from customers, who will be able to benefit from great efficiency improvements.

Over recent years, we have successfully restructured our business to create an optimized business portfolio that supports X-FAB's growth. In 2023, we generated 91% of total revenue with a high value-added product mix in our key end markets. The remaining 9% went into consumer, computer, and communications (CCC) applications. With the complete phase-out of the CCC legacy business at X-FAB France in early 2023, the CCC portion of our activities has reached a stable level, and X-FAB's top-line growth was no longer impacted by the declining legacy business.

In 2023, we launched an unprecedented capacity expansion program with investments in new equipment between 2023 and 2025 totaling USD 1 billion. Why is that important? Demand for our popular 200mm CMOS, silicon carbide, and microsystems technologies remains high and continued to exceed our capacities throughout 2023. Our success is our customers' success, and reliable supply to meet their business needs is critical as we are the sole supplier of a specific product in more than 90% of cases. We need to grow our capacity in line with the strong demand we see going forward, supported by long-term agreements and customer forecasts.

Capacity expansions at our existing sites will lead to higher productivity through economies of scale. Together with product mix improvements, this supported a significant increase in profitability in 2023. Full-year EBITDA was USD 245.6 million, up 82% against the prior year, with an EBITDA margin of 27.1%, slightly above the guidance range of 23-27%. Thanks to the natural hedging of our business, our profitability was not affected by exchange rate fluctuations.

2023 has once again been marked by various crises, and democracy has shown its vulnerable side in many regions of the world. At X-FAB, we want to counter this by emphasizing our strong corporate values, promoting open-minded, unbiased thinking and embracing diversity and inclusion, which is also one of our key ESG objectives. X-FAB's Diversity Council has taken action to raise awareness of diversity issues, provide information and offer targeted training. Diversity makes X-FAB an inspiring place to work, helps us to get better every day, and attracts new talent, and we – as X-FAB – will always do our part to uphold universal values such as respect, openness, and diversity. More information on diversity and X-FAB's other ESG objectives can be found in chapter 6 of this report.

I am proud of our accomplishments in 2023, and I see X-FAB uniquely positioned to continue its growth trajectory. We can be proud of the contributions our expertise and capabilities are making to address the world's most critical challenges, and I would like to extend my sincere thanks to all of our employees for their outstanding commitment to X-FAB's success. I look forward to continuing to work with all of X-FAB's stakeholders in 2024 and beyond and thank you for the trust you have placed in us.

After the close of 2023, there were no major events that would require disclosure.

Best regards,
Rudi De Winter
CEO

X-FAB at a glance

Specialty foundry for analog/mixed-signal semiconductor technologies with strategic focus on automotive, industrial, and medical markets

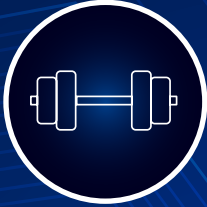
Key financials 2019–2023 in USD million



Our fab locations

- Erfurt, Germany
- Dresden, Germany
- Itzehoe, Germany
- Kuching, Malaysia
- Corbeil-Essonnes, France
- Lubbock, USA

Robust technologies
suited for harsh
environments



Listed on
Euronext Paris
since April 6

2017

Approximately

4,500

employees representing
45 nationalities



Best-in-class
support

Proven automotive
quality system



Serving

>400

customers
worldwide



6

manufacturing facilities in
US, Europe and Asia



Modular
CMOS
process families

SiC

Silicon carbide



MEMS
expertise

3. OUR CULTURE

Diversity at X-FAB

Since its inception in 1992, X-FAB has grown to become a global company with a strong presence in Europe, North America, and Asia with more than 4,500 employees spread all over the globe. At X-FAB, you will find an international and diverse working environment. Our employees represent more than 45 nationalities with a large variety of cultural, religious, and ethnic backgrounds, are of all ages, and have varied educational levels. This not only makes working at X-FAB an inspiring experience, but it also drives performance in many ways: our diverse workforce fosters innovation, creativity, and problem-solving skills, increases employee engagement, attracts new talent, and contributes to better financial results.

Promoting diversity and inclusion in the workplace to ensure equal opportunities for all employees is one of X-FAB's key ESG objectives, under which X-FAB regularly undertakes actions to further improve its diversity and inclusion. X-FAB's Diversity Council, established in 2022, is dedicated to the many themes, large and small, that together make up a diverse and inclusive organization. In 2023, the Diversity Council developed an X-FAB-wide Equal Treatment Policy, launched an awareness campaign on diversity and inclusion, provided training on diversity-related topics, and conducted a diversity survey among female employees to derive actions to support an increasing number of women in the organization and in leadership positions.

Guiding us to success

Strong values build the basis for the success of X-FAB, the way we work together, and how we interact with each other and with our stakeholders. At X-FAB, we put our clients and customers at the center of what we do, and our values of integrity and respect, teamwork, commitment, and innovation are guiding us every day to live up to being a customer-oriented company.

X-FAB's values are an integral part of corporate life. New employees are introduced to X-FAB's values in a half-day Vision & Values workshop, and X-FAB's performance management process, designed to encourage regular exchange between employees and supervisors, draws attention to how the values are being realized in our daily work.

X-FAB's leaders have a decisive role to play in this respect. As role models, they lay the foundation for the success of their teams by providing direction, fostering motivation, and communicating effectively based on X-FAB's core values. In order to strengthen culture and leadership, X-FAB has launched a Global Leadership Program and, for the first time, organized a Global Leadership Conference in August 2023 with 82 leaders and executives from all X-FAB sites. They gathered in the vibrant city of Leipzig, Germany, for three intense days of workshops, keynote presentations, and networking opportunities focused on the strategic direction of X-FAB, plus culture and leadership topics.

What are we striving for?

OUR VISION

To be the foundry of choice for the analog world.

OUR MISSION

We are fully engaged to be the foundry of choice for the analog world by focusing on innovative solutions and manufacturing excellence that meet customer expectations, enabling long-lasting success for all our stakeholders.



Social media highlights 2023

xfab
We donated
€10,000
to help those affected by the devastating earthquakes in Syria and Turkey.

The destruction caused by the severe earthquake that struck south-eastern Turkey and northern Syria on February 6th is devastating. The area and number of people affected is huge and the suffering of the people is unimaginable to all of

SHOW MORE...

1 yr. ago

X-FAB

We are honored and delighted to announce that X-FAB Sarawak has been awarded the "Global HR Excellence Award 2023" during the World HRD Congress at the Taj Lands End Hotel in Mumbai, India.

SHOW MORE...

11 mo. ago

xfabulous_foundry

Review of our **xfabulous WINTER PARTY** at Itzehoe, Germany

We not only like to work together, we also like to party together 🥳 A review of our winter party at the Itzehoe location in 20 seconds 🤩 Our professional dancers are

SHOW MORE...

11 mo. ago

X-FAB

Time to celebrate 🎉

On Saturday, we celebrated our 30th anniversary with a sparkling party at the Erfurt stadium. The evening was filled with music, dance & laughter

SHOW MORE...

7 mo. ago

X-FAB

Handbag market at X-FAB Sarawak office 🛍️ A charity activity for a good cause.

Recently, X-FAB Sarawak Sdn. Bhd. was able to provide support to this special charity event which was

SHOW MORE...

6 mo. ago

X-FAB

Sunny vibes at X-FAB Dresden's Summer Party 🌞🥳

Over 200 colleagues of X-FAB Dresden came together for the annual summer party, celebrating

SHOW MORE...

6 mo. ago

X-FAB

Summer Party

We are active! 🏃‍♂️

At X-FAB, we know the importance of team building outside the office.

SHOW MORE...

5 mo. ago

X-FAB

Long Night of Sciences at X-FAB Dresden 🌙🔬

We were happy to welcome more than 500 visitors to our site in Dresden (Germany) some weeks ago. With our guided tours through our fab and laboratories, the visitors

SHOW MORE...

7 mo. ago

xfabulous_foundry

and meet them in reality

Have you already seen our #xfabulous bus in Itzehoe?

Since this summer, the bus in X-FAB design has been rolling around Itzehoe and the surrounding area,

SHOW MORE...

5 mo. ago

X-FAB

Welcoming Their Majesties the King and Queen of the Belgians

Today was the big day... #BELDEU2023

We had the pleasure of welcoming Their Majesties the King and Queen of the Belgians, President Steinmeier and the First Lady, Minister-President

SHOW MORE...

3 mo. ago

X-FAB

When it comes to sepsis, every minute counts.

When it comes to sepsis, every minute counts. Mortality increases by 8 percent for every hour that treatment is delayed, making timely diagnosis essential. Our customer Abionic has developed a lab-on-a-chip

SHOW MORE...

3 mo. ago

xfab

Remember our annual X-MAS 2023 fundraising campaign that X-FAB launched a few weeks ago? With this traditional campaign, X-FAB aims to support local social projects as part of its social responsibility. This time, our Erfurt site was the sponsor of our

SHOW MORE...

1 mo. ago

HEY CHIP,
CAN YOU HELP ME
CATCH THE SUN?

YES, AND MY SENSORS
HELP TO MAKE ITS ENERGY
SAFE AND MORE EFFICIENT.



When solar radiation hits photovoltaic systems, electricity is generated in the form of DC voltage. In order to feed this into the power grid, it must be converted into alternating voltage. And this is where X-FAB comes into play. Before the inverter, a current sensor is used to measure the output direct current of the solar cells. This is done in order to find the optimum operating point and thus optimize the efficiency of power generation. It also provides safety in the event of short circuits.



4. OUR BUSINESS

The specialty foundry business model

X-FAB is one of the world’s leading specialty foundry groups for analog/mixed-signal semiconductor technologies with a clear focus on automotive, industrial, and medical applications. As a specialty foundry, X-FAB provides manufacturing and strong design support services to its customers that design analog/mixed-signal integrated circuits (ICs) and other semiconductor devices for use in their own products or the products of their customers.

As a **specialty foundry**, X-FAB is the development and manufacturing partner for its customers. X-FAB’s modular, highly specialized portfolio of process technologies and associated design IP enables innovative semiconductor products, which are designed by and manufactured on behalf of its customers using X-FAB’s capabilities and expertise.

The trend to further capture and evaluate measured values in the real world generates growing need for specialty foundry services.

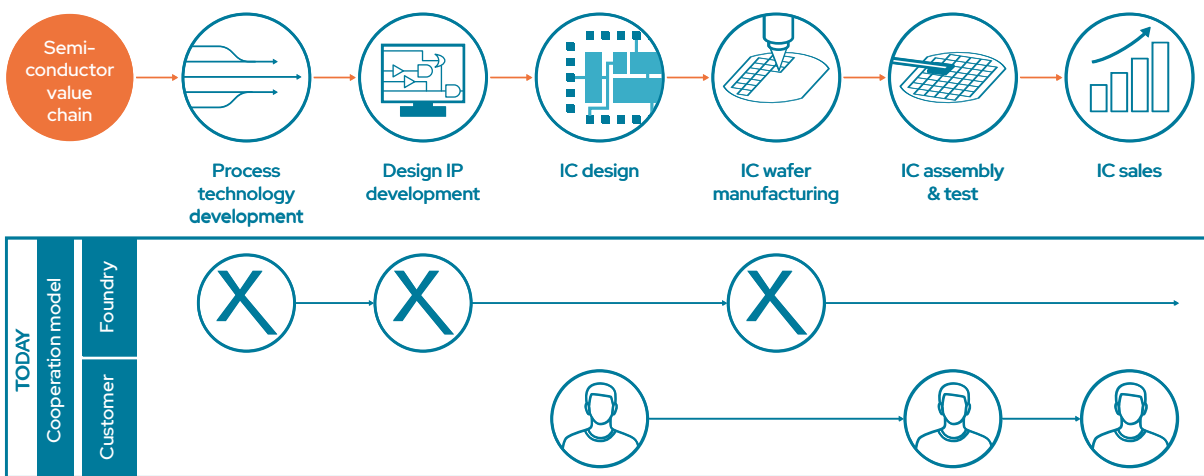


Fig. 4.1: Value chains for foundries, fabless companies, and IDMs

The X-FAB Group has an established track record with over 30 years of experience providing proprietary manufacturing processes and advanced design and

engineering support offerings. Excellent service, reliability, and first-class technical support: that’s what X-FAB stands for.

Manufacturing excellence

X-FAB manufactures analog/mixed-signal ICs utilizing its in-house developed process technologies.

A modular approach allows customers to choose from a wide range of enhanced options across many semiconductor technologies, designs and processes, including complementary metal-oxide semiconductor (CMOS), silicon on insulator (SOI), silicon carbide (SiC), and micro-electro-mechanical systems (MEMS). Customers can draw on a variety of features in order to develop ICs specifically tailored to their end-use requirements and to optimize product performance, product size, power consumption, and other parameters. Currently, the foundry offers process technologies with feature sizes of 1.0µm, 0.8µm, and 0.6µm on 150 mm wafers and 0.6µm, 350nm, 180nm, and 130nm on 200 mm wafers. Production of the next-generation 110 nm SOI process technology on 200 mm wafers was successfully launched in 2023.

The X-FAB Group operates six wafer manufacturing sites in Germany, France, Malaysia, and the United States, with aggregate production capacity of approximately 100,000 200 mm equivalent wafer starts per month (WSPM).

CMOS and SOI: X-FAB’s open-platform technologies

The vast majority of X-FAB’s technologies are based on CMOS, with SOI being a specialty variant offering a so-called SOI layer for better technical performance within certain electrical parameters. These processes are available for all customers and include performance-optimized primitive analog devices such as low noise transistors, high voltage transistors (up to 700-volt breakdown voltage), or integrated sensor elements such as optical sensor diodes.

X-FAB's DNA: Analog/mixed-signal ICs

X-FAB produces microchips and other semiconductor devices. These microchips and devices prepare real-world signals from the analog world (sensory data such as sound, light, pressure, motion, temperature, etc.) for subsequent digital processing or converting digital values into analog signals. Mixed-signal circuits (also referred to as "analog/mixed-signal ICs")

embed both digital and analog circuitry onto a single IC. With more and more electronic devices interfacing with the "real world" (such as through the Internet of Things, IoT), the demand for such devices is growing continually, making mixed-signal semiconductor ICs an increasingly important part of the market for electronic equipment.

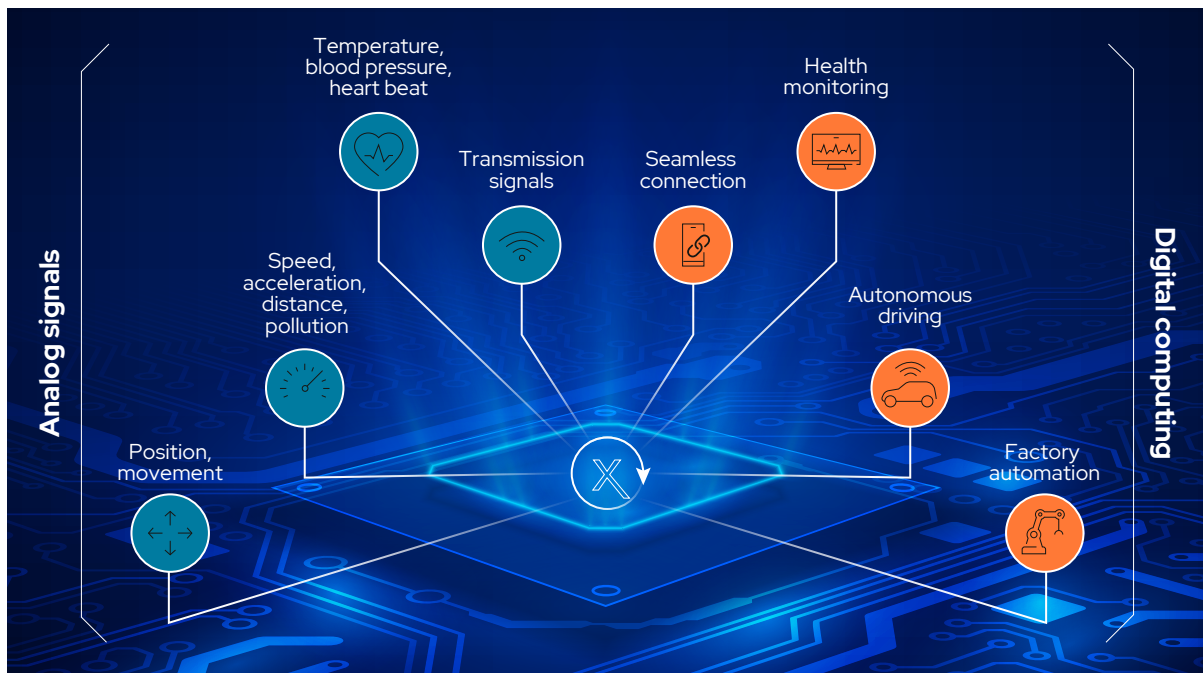


Fig. 4.2: X-FAB connects the real world with the digital world by enabling smart applications

Even though those open-platform technologies typically address multiple applications and sometimes more than one market, most of them are qualified for automotive use and support high temperatures up to 175°C. In 2023, revenues based on X-FAB's CMOS technologies amounted to USD 722.4 million.

The Group owns all its technologies and the corresponding IP. The extensive IP offering comes with the option of customizing certain IP blocks, which means that customers can combine X-FAB IP with their own IP for optimized functionality. To enable fast and easy design of new products, X-FAB also provides process design kits (PDKs), libraries with digital and analog circuit elements, and complex IP blocks such as embedded flash memories, related software, and consultancy services.

X-FAB's technology portfolio (see Figure 4.3) spans geometries from 110nm to 1.0µm. The mature technologies down to the 180nm node provide very rich feature sets and thus enable a wide range of applications. X-FAB's approach to extending this portfolio is driven by customer demand to enable further fields of use. The feature set for the 130nm node is optimized for radio frequency (RF) applications, while the 110nm process technology is geared towards automotive use and will be progressively extended. New process nodes will be added eventually.

To mention a few examples: the current 180nm SOI technology is able to operate voltages up to 375 volts, which is crucial for medical ultrasound equipment. Integrated optical sensors enable light curtain safety devices for automated factories. Embedded flash memories, which are qualified for automotive applications and support high temperatures, are suited for controller ICs placed in a car close to the engine. X-FAB's new 110nm SOI technology offers advantages in integrating a greater proportion of digital functions such as enhanced microprocessors and memory.

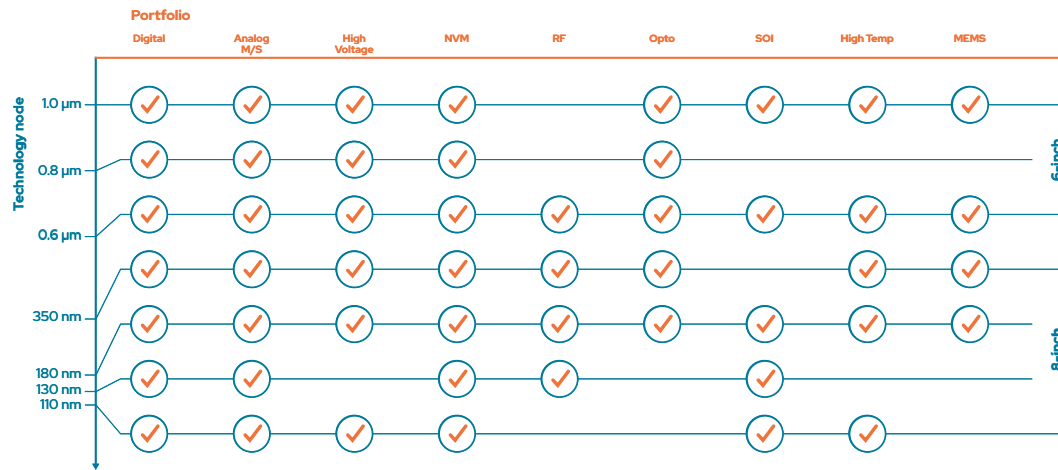


Fig. 4.3: X-FAB open platform process portfolio and features

Advantages of X-FAB's specialized technologies

The feature set of a particular technology node is extended over time, enabling a very wide range of applications, which in turn increases the number of customers adopting the technology. For example, X-FAB's 180nm and 110nm BCD-on-SOI technologies have special structures on the chip called deep trench isolation (DTI) that make the processes suitable for operation at high voltages. DTI allows driver circuits operating at up to 375 volts to be placed alongside sensitive amplifiers processing low voltages of a few mV. To prevent interference and crosstalk, DTI can also be placed between separate low-voltage circuits.

X-FAB supports the automotive quality standard AEC-Q100 grade 0, allowing the development of ICs that can be used at temperatures of up to 150°C. Such high temperatures can occur close to the combustion engine in hybrid electric vehicles, in battery management systems, or close to the inverter of electric vehicles.

By the subsequent integration of noble metal electrodes onto CMOS wafers, X-FAB creates interface structures for biological material. These electrodes allow the chips to measure physiological parameters of a biological sample without influencing the sample itself. At the same time, corrosion or deterioration of the chip through interaction with the sample is prevented. Noble metal electrodes make CMOS chips biocompatible.

Silicon carbide (SiC) as the crystalline compound of silicon and carbon has advantages over elemental silicon when used in power technologies. Due to their special material properties, components manufactured in SiC offer higher efficiency in power conversion, fewer losses, and high temperature operation. These advantages result in more energy-efficient systems with reduced size, weight, and cost. In the case of energy supply, this means that more energy reaches the consumer, which in the case of electric cars leads to greater driving range.

2023 R&D highlights include:

- release of X-FAB's new 110nm automotive technology platform. Compared to its highly successful 180 nm predecessor platform, the 110 nm process offers improved device performance and area savings for digital circuits and memory IP. It features automotive AEC100-0 qualified flash memory and operating temperatures from -40°C to 175°C. With this release the technology is generally available for early product studies and prototyping for all X-FAB customers;
- extension of the 350nm CMOS platform with integration options for capacitive and inductive couplers, enabling both discrete and integrated digital galvanic isolators;
- introduction of a single-photon avalanche diode (SPAD) optimized for near-infrared applications such as time-of-flight measurement, vehicle LiDAR imaging and a variety of medical applications;
- X-FAB has taken the lead of the EU-funded photonixFAB project, which aims to establish a European value chain for photonics components and initial industrial manufacturing capabilities. The project is being supported by the Key Digital Technologies Joint Undertaking (KDT JU), with funding from EU and the national authorities. Possible applications for the capabilities to be developed include data communication, telecoms, biomedical sensors/detectors, quantum computing and vehicle LiDAR;
- introduction of a technology to integrate a passive device directly into mixed-signal ICs for RF communication applications, resulting in significant space and cost savings; and
- 22 new patent applications and 32 patents were granted in 2023, contributing to an overall patent portfolio of more than 458 patents and patent applications.

Microsystems: Interfacing the physical world on the microscale

Microsystems are microscale components which incorporate the functions of an entire system or sub-system. The focus at X-FAB's Microsystems Business Unit is to provide tailored solutions for microsystems providing the interface between microelectronics and the physical world. There are three technological focus areas where X-FAB is active:

- MEMS, or micro-electro-mechanical systems, build the interface between mechanical properties and electronics;
- monolithically integrated on-chip solutions for sensors, sensor interfaces and actuators with analog/mixed-signal ASICs; and
- advanced wafer-level integration by means of 2.5D integration and heterogeneous integration.

Complex processes are used to produce structures or components in silicon that convert mechanical variables, such as pressure or acceleration, into electrical signals. MEMS and microsystem devices can be found in many products or modules, such as airbags, medical diagnostics devices, or inkjet printer heads. The development of MEMS products differs from the development of integrated circuits in that usually the manufacturing process has to be adapted to the specification of the final product. This leads to higher development costs and longer development times, but also offers the opportunity to bring products with unique features and strong intellectual property protection to the market, as a lot of know-how goes into the manufacturing process.

MEMS product manufacturing also requires the use of materials not used in or undesirable in integrated circuit manufacturing because they could contaminate manufacturing lines. These are the reasons why manufacturers either focus exclusively on MEMS product manufacturing or, like X-FAB, run separate facilities for the manufacturing of CMOS and MEMS wafers.

X-FAB has chosen to use these existing capabilities to expand MEMS to include medical and biological phenomena. This expansion, along with X-FAB's willingness to respond to customer needs and take on additional manufacturing steps in the supply chain, is the cornerstone of a very successful MEMS business.

X-FAB's Microsystems business generated revenues of USD 95.2 million in 2023, representing growth of 26% compared to the previous year.

Sensors and actuators have been the traditional application types of MEMS, and X-FAB builds on its established processes to further develop business in this field. X-FAB offers next-generation sensor technologies for relative and absolute pressure sensors for all kinds of media, including corrosive and high-temperature environments. X-FAB further provides a proprietary open platform technology (XMB10) for inertial sensing covering both accelerometers and gyroscopes in the X, Y, and Z axes. By making it available through EUROPRACTICE, the European initiative for low-entry design and fabrication of electronic circuits, this technology is gaining traction. Gas and flow sensors are based on X-FAB's well-established noble-metal processes, resulting in very small sensor devices, while temperature sensors apply the thermopile principle, requiring a well-controlled etching process. This more established part of X-FAB's MEMS business is characterized by continuous improvement, both technologically and operationally.

At the same time, X-FAB invests in disruptive technologies. Jointly with a lead customer, X-FAB developed an integrated thermopile solution for contactless temperature measurement, providing size reduction for smaller form factors and at the same time providing medical grade accuracy. The first product based on this technology won the 2019 Best of Sensors Awards and generated significant turnover in the first years of production. The second generation of this sensor is under development, which will address an even wider range of applications and new classes of wearable health products with a smaller form factor.

Glass wafer processing is an important capability that X-FAB offers and is used for biomedical and life science devices.

The combination of robust analog/mixed-signal CMOS technologies with the opportunities offered by post-processing dedicated to medical applications is attracting great attention in the marketplace. X-FAB's customer base ranges from established companies expanding into new application areas to start-up companies with innovative approaches to leverage the integration of integrated circuits and microfluidic structures on one lab-on-a-chip device. The platform approach that X-FAB is taking enables it to offer a wide range of applications, leading to an extremely dynamic business development and revenue growth. X-FAB will further invest in development and facilities that will enable it to offer complete solutions to its medical customers.

This combination of CMOS technologies and noble metal electrodes is now being used in applications outside the medical field, such as the next generation of automotive adaptive headlights.

Further capabilities of X-FAB's Microsystems business unit include 3D integration and wafer level packaging. Through-silicon vias (TSVs) are one of the key technologies for 3D stacking of integrated circuits. X-FAB enables this product-specific processing step for its foundry customers and successfully operated multiple prototyping runs on selected devices. For the assembly of microcomponents on top of other chips or substrates, the technology of micro-transfer-printing is in development. Further ways to integrate heterogeneous electronic component concepts for system in package (SiP) are under intense evaluation with numerous research and technology organizations (RTOs), linking into the scope of the EU Chips Act as well as the industry trends promoted in the IEEE heterogeneous integration roadmap.

X-FAB's Microsystems business unit successfully applied and launched two activities within the scheme of IPCEI (Integrated Project of Common European Interest), the funding framework for development and demonstration of innovative technologies around heterogeneous integration for communication, automotive and medical applications and glass wafer processing with focus on biomedical applications.

In line with customer demand, all activities described above are aimed at expanding X-FAB's value creation along the supply chain. The close cooperation with X-FAB's customers and their strong commitment, which is reflected by the high prototyping revenue of the business unit MEMS, lead us to expect a successful future for these activities.

Silicon carbide: High power for a high-growth market

At the point X-FAB entered the SiC business it was the first foundry for wide bandgap material and is to date the leading foundry supplier for SiC technologies. Following the positive trend of the previous years, X-FAB's SiC business recorded a revenue of USD 72.6 million in 2023.

SiC is a semiconductor substrate that, thanks to its material properties, supports the global trend to reduce greenhouse gas emissions. In the transition to CO₂ emissions-free mobility and transport, devices manufactured in SiC address two of the main challenges: driving range and charging time. By using SiC for components in the power train of electric vehicles, the driving range achievable with one battery charge can be increased by approximately 9%. Similarly, used in charging infrastructure, SiC enables high-power, high-speed DC charging, allowing electric vehicles to travel further and faster.

SiC is an already established material for components in the energy sector. An increasing number of suppliers are moving towards greener and more sustainable energy technologies. At the same time the demand for electrification is growing dramatically, creating an ever-growing market for these components. SiC transistors are a core component in systems for power generation from renewable sources such as photovoltaic or wind energy. SiC also enables huge energy savings in power supplies for data centers, computers, chargers for mobile phones, and devices for the Internet of Things.

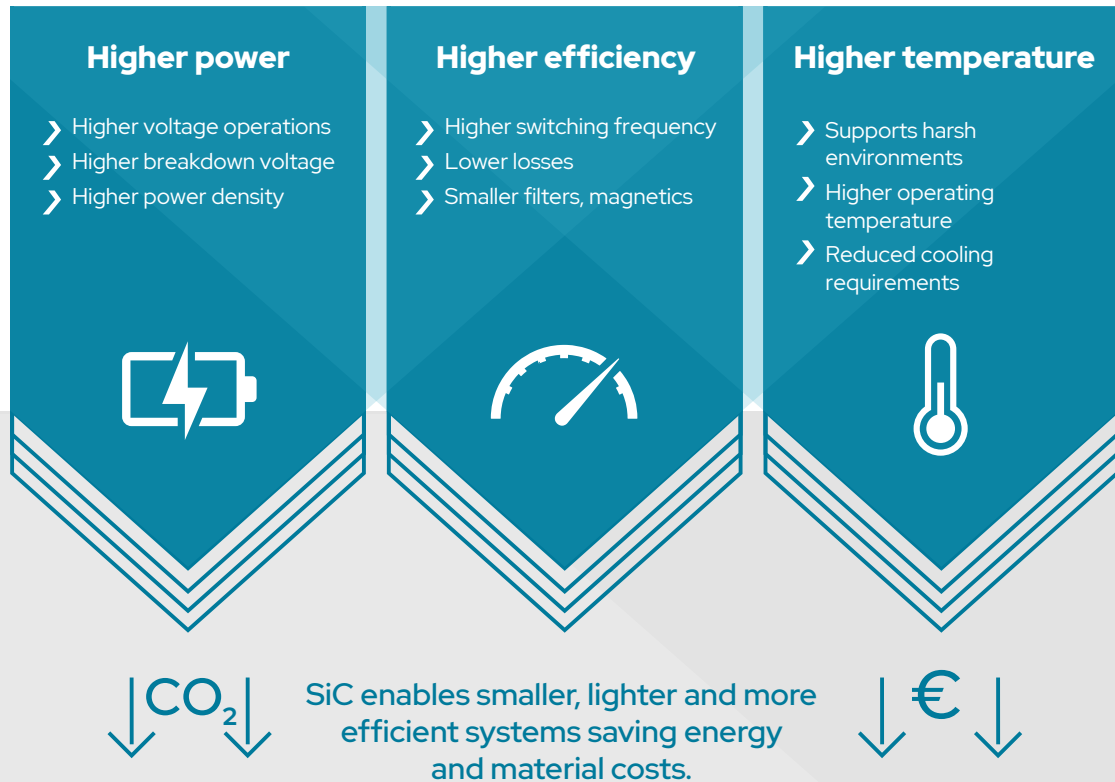
The majority of devices manufactured in silicon carbide are offered by integrated device manufacturers (IDM) designing, manufacturing, and selling semiconductor components under their own brand. X-FAB decided to offer silicon carbide processing capabilities to a variety of customers, strictly following its business model as a specialty foundry. Customers are enabled by X-FAB to develop solutions based on their own specifications to differentiate and compete in the market.

X-FAB's success as the number 1 foundry for SiC is built on four pillars:

- secure supply chain;
- leading technology offer;
- economy of scale; and
- trusted partnership.

The benefits of silicon carbide as semiconductor material

Silicon carbide enables smaller, lighter, and more efficient systems, saving energy and material costs and paving the road to a more sustainable future.



SiC is a wide bandgap material. Wide bandgap materials, such as silicon carbide, can withstand up to ten times higher voltages than silicon and can therefore operate higher power. It can operate in harsh conditions and at higher temperatures thanks to its wide bandgap voltage and three times higher thermal conductivity compared to silicon.

This means that the components in a system can be packed more densely, resulting in smaller package sizes. Another benefit is the reduction of system costs by reducing the number or size of components, such as magnetic or cooling elements for a given power level. SiC enables energy conversion systems with exceptionally high power densities. These systems achieve high efficiencies that have not previously been reached at high frequencies.

Customers sourcing SiC wafers from X-FAB can rely on the supply chain that has been established for the entire foundry business for over 30 years. The access to leading technology in services, equipment, and processes enables them to create outstanding device performance. The existing foundry infrastructure ensures ramping to production volumes individually suited to any respective customer and product need. Finally, through its business model, X-FAB will never compete with its customers by selling components or modules under its own brand. This trusted partnership is a cornerstone of X-FAB's success as foundry.

Since the launch of its foundry offer for silicon carbide, X-FAB has achieved a number of successes. For the broad technology platform that was established in recent years, X-FAB provides standard process blocks supporting customers in the development of diodes and transistor products. A state-of-the-art tool set is available for all relevant process steps, enhanced with next-generation processing capabilities. This has enabled the thinning of wafers and solderable backside metals. X-FAB has established collaborations with design houses that can support customers during product design and has built an extensive processing knowledge base that will support each customer with their individual process.

X-FAB has established long-term partnerships with its customers and is supporting more customers than ever. The majority of the non-IDM suppliers of SiC devices are choosing X-FAB as their manufacturing site. Also, smaller IDMs leverage the unique capabilities offered by X-FAB for their products.

The SiC processes are complementing X-FAB's offer for power electronics in the automotive and industrial markets. A growing number of customers using X-FAB's SiC technology, strong growth in prototyping revenue, and increasing production volumes from a variety of customers supports the promising outlook for this part of X-FAB's business.

SiC revenues for the full year came in at USD 72.6 million, representing 33% growth compared to the previous year, as more customers started volume production. With the strong pull from the market, X-FAB is adding more SiC-related equipment, extending its SiC capacity and capabilities further.

Investments in additional capacity, capabilities, and productivity improvements

Due to the continuing demand from X-FAB's core markets for its process technologies, X-FAB expects customer demand to exceed supply capacity in the coming years. X-FAB is making significant investments in the expansion of its production capacity to meet this demand. X-FAB is creating additional production capacity at the 200 mm sites in Kuching, Corbeil-Essonnes, and Dresden, and at the SiC foundry in Lubbock. X-FAB is also investing in additional capacity and capabilities in the manufacturing of microsystems at its sites in Erfurt and Itzehoe and

making use of additional capacity through collaboration with selected outsourcing partners.

A main driver for productivity improvement is automation, standardization and digitization of processes. In addition to a large number of measures to increase efficiency, X-FAB has introduced a so-called scheduler program, which is a software that makes the best plan ("schedule") based on all information available (e.g. tool capabilities, material availability, WIP (work in progress) situation, lot priorities, etc.). The scheduler gives guidance which batches are to be processed next on a particular tool and helps to optimize the wafer processing in view of the large number of different products in the factory at the same time.

These expansions and activities will enable X-FAB to manufacture products with an increased level of integration for its customers and thus achieving greater added value. Comparing a conventional consumer product, which is manufactured using 19 photomasks, with a complex product, such as a chip for DNA sequencing, which requires 54 masks, the manufacturing complexity almost triples and leads to a proportional increase in the value of the product.

Customer orientation: Long-standing relationships and strong product customization

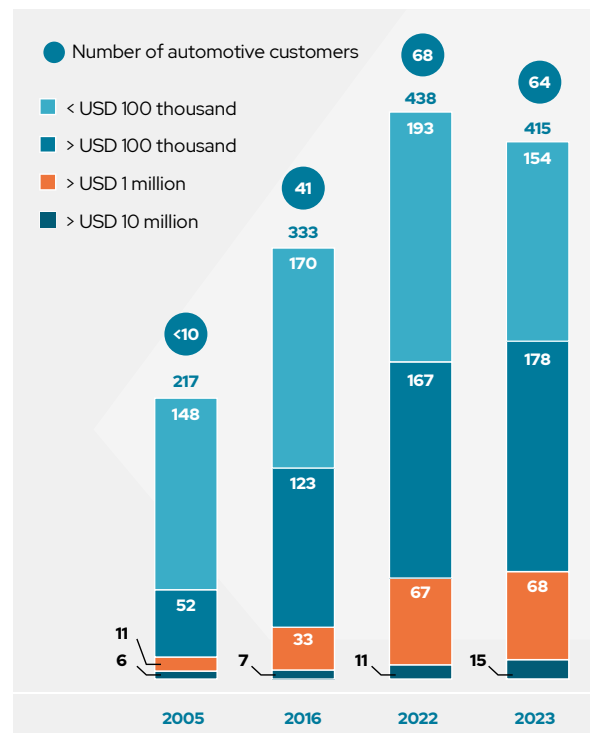


Fig. 4.4: X-FAB's customer count by annual revenue. X-FAB has grown to a diverse base of more than 400 customers worldwide

The majority of X-FAB’s customers are fabless semiconductor companies (often also called fabless houses): companies that have no own manufacturing and process technology expertise but rely on foundries for those services and related expertise. A smaller portion of X-FAB’s customer base are either original equipment manufacturers (OEMs) or integrated device manufacturers (IDMs).

X-FAB has a diverse **base of more than 400 customers** worldwide and continually wins new customers in its core markets (see Figure 4.4).

Due to the high degree of product customization usually required by customers, a specialty foundry is less vulnerable to extreme price and demand volatility experienced by many competitors in the broader foundry market. X-FAB’s focus on highly customized analog/mixed-signal ICs results in smaller production volumes per each product and requires more engineering input per unit creating a high value-add for the customer.

The long-term availability of these high-quality products is essential for X-FAB’s customers, since X-FAB is the sole source for more than 90% of the products it manufactures. This is an important aspect contributing to long-lasting customer loyalty. Most of the customer products are designed using X-FAB proprietary process technologies and design IP, and it would require significant effort by the customer to migrate products to other foundries, an effort that would often be equivalent to a new development.

The global chip shortage that was observed in 2022 put more focus on the supply chain of the semiconductor industry and led to the realization that semiconductors are strategic for many products of today’s life including cars, industry equipment and medical devices. To ensure mutual planning security X-FAB signed long-term agreements (LTAs) with some customers, which include a commitment to deliver and a commitment to buy certain wafer quantities. These LTAs typically have a term of three years.

The LTAs give X-FAB the necessary security for investments into capacity expansions in all of its factories. An expected impact of the LTAs is the mitigation of the large swings in the semiconductor industry caused by the long lead times and the closure of factories.

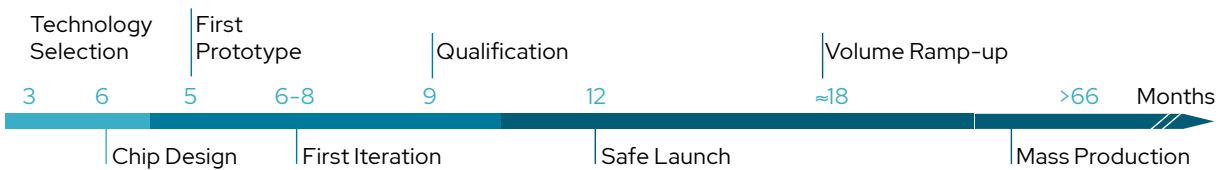


Fig. 4.5: Illustrative lifecycle for automotive: Analog/mixed-signal products are much more specialized for their applications and are used for many years

By providing a wide range of design-related product and support services as part of its comprehensive offering, including engineering, technical, and design support, X-FAB typically has strong, long-lasting relationships with its customers. Through special offers, like post-processing of CMOS ICs and sensors, X-FAB accomplishes significant manufacturing steps, creating valuable benefits for its customers.

Those long-standing customer relationships are crucial because a large portion of the products manufactured by X-FAB have long product lifecycles of ten or more years. For example, X-FAB’s first medical MEMS product, a sensor used to monitor blood pressure, has been in production for more than 25 years.

Best-in-class support: X-FAB’s close relationships with customers

X-FAB aims to differentiate its business through unique technologies combined with excellent technical support. A strong asset of X-FAB is its close collaboration with customers in every phase of an IC product lifetime. From a request for a quotation and the selection of the best suited process technology to the start of volume production, X-FAB has dedicated teams to assist its customers with technical, commercial, and logistical support and consultation.

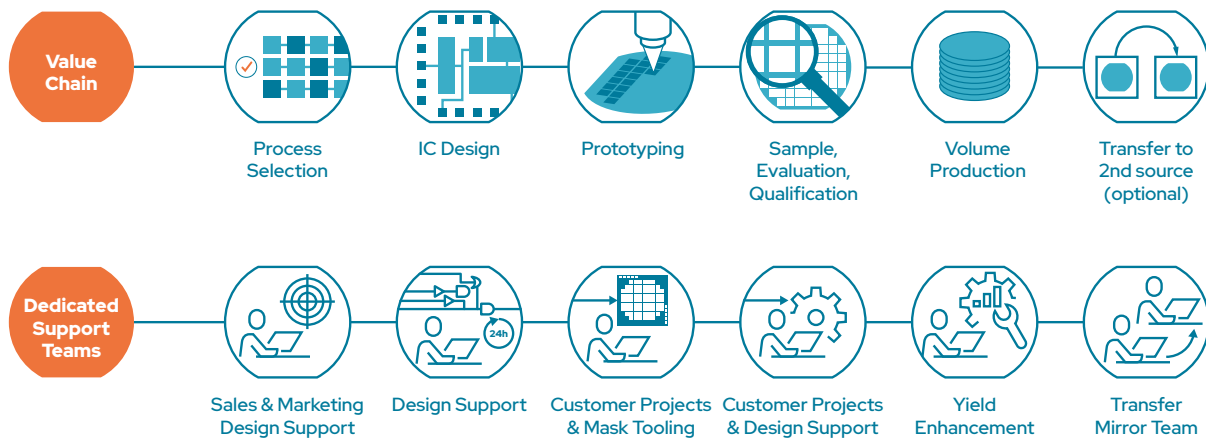


Fig. 4.6: Assignment of X-FAB teams to every phase of an IC product lifetime

X-FAB's strategic markets

X-FAB serves the markets for **automotive, industrial, and medical** (AIM) applications. The AIM market segments all share the same requirements for quality and reliability and feature similar long product lifetimes. Consequently, X-FAB places strategic focus on AIM while selling into the market for **consumer, communications, and computer** (CCC) products when product requirements demand technologies that are within X-FAB's portfolio. Despite this, and mainly because of the high demand for chips for the automotive industry, sales of CCC products declined in 2023. The freed-up capacities were converted for the production of automotive products.

The strong growth in demand for chips for AIM applications was caused by several factors from a rising number of automotive ICs per new car, to increasing sales of devices for the Internet of Things and a broader proliferation of medical electronics. Given the industry-wide trend, X-FAB's automotive business grew by 38%. While a similar surge was seen in the industrial semiconductor market, X-FAB's industrial business was fueled by high demand for SiC applications, recording a revenue increase of 19% compared to 2022. At the same time, revenues achieved with medical semiconductors grew by 21%.

X-FAB enables innovative solutions to address global challenges such as:

- global warming;
- the replacement of fossil energy by sustainable energy; and
- the cost of healthcare and an aging population.

X-FAB is confident of success due to its:

- close collaboration with market leaders in various segments;
- ongoing investment in new technologies;
- wide portfolio of technologies and capabilities; and
- strong pipeline of projects in prototyping stage.

Automotive electronics – We think automotive

Product reliability and established trust in suppliers are two key prerequisites for successfully serving the automotive industry. Meeting these demands is part of X-FAB's DNA.

Furthermore, X-FAB actively supports its automotive customers in driving innovation in electronics. In addition to further developments in advanced vehicle safety and comfort systems, the electrification of vehicles might be the biggest technology shift the automotive industry has ever seen. By 2040 electric vehicles will represent about 70% of global light duty vehicle sales, according to Bloomberg. As cars become more and more sophisticated X-FAB will be right there to develop the technologies to make it happen.

All these new technologies combined are leading to a sharp increase in the number of semiconductor devices in a car. The number of chips in a car is expected to triple in the next few years, with demand for analog chips growing much faster than demand for microcontroller units (MCU).

A breakdown of the different semiconductor application areas in automotive is shown in Figure 4.7.

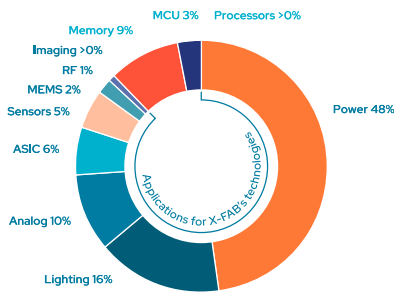


Fig. 4.7: Share of automotive semiconductor application areas in 2022 and applications addressed by X-FAB (source: Yole)

Around two-thirds of these chips can be realized with the processes offered by X-FAB. With CMOS, BCD-on-SOI and SiC, X-FAB offers the right mix of technologies, and with its optimization for processing analog signals the right features for chips that interface with the "real world."

ICs produced at X-FAB can be found everywhere in a car: in the interior as well as under the hood. Functions directly accessible to the driver, such as control of the interior lighting, hands-free phone kits, and parking assistance, as well as tire pressure monitoring and anti-lock braking systems, all make use of X-FAB technologies.

The electrification of cars requires intelligent solutions for battery management and charging. Batteries for electric vehicles consist of several thousand individual battery cells, each of which needs to be monitored by the so-called battery management systems (BMS). The temperature, the voltage, and the charge of each cell must stay in an optimal range. The better this is managed, the further the car can drive.

Typically, a BMS has up to 16 ICs to manage the battery. X-FAB's analog-mixed signal processes with their high-voltage and high-temperature capabilities and their rich portfolio of IP including embedded flash memory are particularly well suited for this. Transistors manufactured at X-FAB's SiC foundry enable inverters with higher efficiency and contribute to increased range on a single battery charge.

Safety in traffic will be improved by sophisticated techniques of collision prevention, distance control, lane change assistance, and blind spot detection, ultimately paving the way for autonomous driving. The increasing relevance of environmental protection is leading to innovations to improve fuel efficiency and reduce pollution of hybrid vehicles. Connected cars will be enabled by the advent of 5G cellular mobile networks.

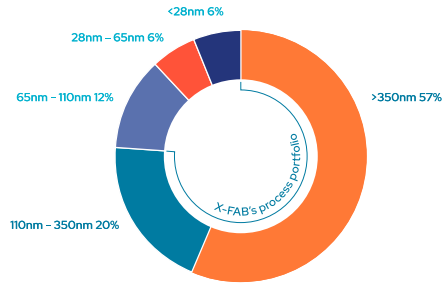


Fig. 4.8: Share of automotive semiconductors by technology node in 2022 and nodes covered by X-FAB (source: Yole)

This growing need for semiconductor products for cars led to a highly visible shortage in analog chip supply, which had a negative impact on light vehicle production. Analyses consistently show that while the bottleneck for leading-edge technologies for MCUs seems to be overcome, the shortage of chips in technologies with node sizes of 40nm and bigger will persist in the coming years.

Figure 4.8 shows the breakdown of the chips in a car by node size of the utilized semiconductor technology. It shows that more than 75% of the chips are manufactured in process nodes larger than 110nm and therefore most likely in 8-inch production lines. As there is low investment in equipment to produce wafers with a diameter of 8 inches, the situation for the automotive industry is unlikely to change. This is why X-FAB's investments in capacity expansion will further strengthen its position as the prime foundry for automotive ICs.



Fig. 4.9: Main areas of automotive applications

Industrial electronics – We empower the future

The market for application-specific analog ICs for industrial applications is a **highly fragmented market** spanning applications from avionics to factory automation. About 60% of X-FAB's current customers in production address the industrial market and rely on X-FAB's ability to provide volume production over a 10- to 15-year period. Four global megatrends are driving the next industrial revolution and will change our way of producing, consuming, and living: **Industry 4.0** with an end-to-end connected value chain; **factory automation** including industrial IoT, robots, machine-to-machine communication; **smart cities**, enabling central building management and improving urban lives through interaction and management of connected services; and, finally, **sustainable energy** through exploiting renewable sources of energy and improving power management.

X-FAB is positioned to play a major role in addressing those megatrends based on its commitment to industrial markets and customers. The Group's competitive advantages rely on **four pillars**:

- Easy to work with. Collaboration with X-FAB is made easy for industrial customers as X-FAB can efficiently handle small to medium volumes often required for industrial applications.
- Design support. X-FAB provides comprehensive design support and high-quality IP to achieve first-time-right design. For industrial customers that want to outsource their IC design efforts, X-FAB maintains a global partner network of service providers for design, test, assembly, and supply chain management.
- X-FAB's quality systems. X-FAB's automotive technologies fit well with most industrial applications, which often also operate in harsh environments.
- X-FAB is a reliable foundry partner. X-FAB is a trusted supplier and has built long relationships with its industrial customers.

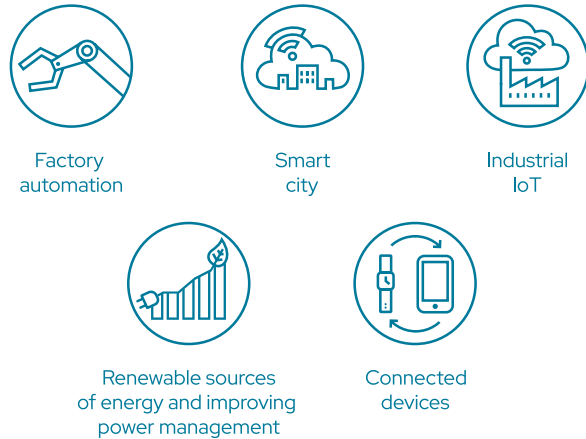


Fig. 4.10: Main areas of industrial applications

Medical electronics – We save lives

The chips X-FAB manufactures for medical applications are used in **equipment** or **devices** where people, doctors, and patients depend on reliable, accurate, and error-free operation or data. X-FAB delivers chips for **personal medical devices** from cardiac pacemakers and spinal cord stimulators to traditional and implanted hearing aids. X-FAB's specialized technologies can be found in **equipment for medical imaging technologies** such as ultrasound and X-ray sensors.

A trend for the next few years is the **evolution of consumer wearables** with the aim of medical precision, offering the user actionable insights into her or his physical conditions.



Fig. 4.11: Main areas of medical applications

Implantable devices are very important for patients with chronic diseases, and research in this area will continue to provide new therapies, for example for rheumatism, strokes, or obesity. Portable devices will move medical imaging from hospitals and medical practices to patients' homes for point-of-care testing. Further trends in ultrasonic imaging are wireless probe heads and 3D imaging.

With the rapid decline in the costs of DNA sequencing since the availability of next-generation sequencing technology in 2007, new uses have been introduced for health care, industry, and research. There are not only companies that offer genetic testing as a service, DNA sequencing is also being used for the analysis of pathogens helping to contain epidemics as well as the examination of food to identify contamination or allergens. The availability of affordable genetic information is pushing the development of personalized medicine, with great benefits for patients and huge potential for cost-saving in the health care sector as a result of more effective therapies. Lab-on-a-chip or microfluidics are devices to handle minute quantities of liquids or biomaterial, usually on a chip or in a small cavity. That is where X-FAB's capability to **combine CMOS and MEMS** is a key benefit. Manufacturing steps, for which customers initially had to engage with several suppliers, are now provided by X-FAB exclusively.

According to market research, the lab-on-a-chip market is expected to grow at a CAGR of up to 14% over the next five years.

Connecting the two worlds of microelectronics and microfluidics

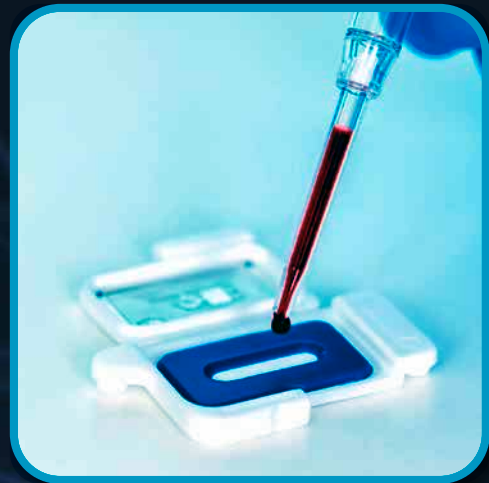
Biological and pharmaceutical research is making significant progress by leveraging from advances in silicon technology. Lab-on-a-chip devices created by integrating microfluidic structures onto silicon chips are essential parts of many cartridges in today's lab equipment. CMOS chips that are capped with glass or have antibodies applied to their surface are used to directly analyze biological samples. The miniaturization significantly reduces the size of the probe to just a few microliters while at the same time shortening the duration of the test. As a result, smaller and lighter devices can be developed to analyze samples on site, for example at the patient's home. The Covid-19 pandemic drastically showed the need for fast and cost-effective testing. DNA sequencing is required to investigate viruses and identify mutations. The detection of pathogens in a blood sample or the investigation of individual cells to monitor their reaction to pharmaceuticals are other uses of this technology.

Consumer, communications, and computer – We connect people

X-FAB entered the mobile communications market with a clear vision: connecting mobile devices with the real world. With this vision in mind, X-FAB became a leading foundry provider for discrete and integrated mobile sensor solutions. X-FAB's processes enable communication and consumer applications that make our lives smarter, greener, and safer.

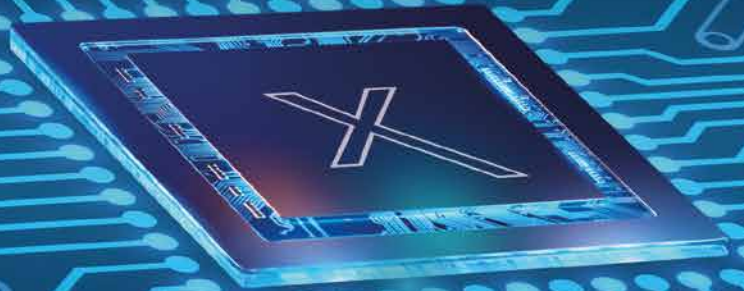
Specialized technologies enable optical sensors, camera autofocus, haptic drivers, touchscreen controllers, and gesture recognition solutions to create intuitive user interfaces that guarantee a great mobile experience. X-FAB's RF SOI technology enables high-performance 5G and WLAN RF front-end modules by meeting stringent requirements for both mobile phones and infrastructures. Smart home use applications such as lighting or air climate control and home automation for the elderly and disabled are made possible thanks to X-FAB's RF technologies. Devices for augmented reality (AR) and virtual reality (VR) require a multitude of sensors, analog/mixed-signal chips, and wireless connectivity. X-FAB's high-voltage CMOS and SOI technologies enable enhanced power management solutions to improve the energy efficiency of consumer devices, communication infrastructure, and computers. Examples where chips manufactured by X-FAB help to reduce power consumption, optimize battery lifetime, and prolong device usage are AC/DC chargers, 5G base station switches, or battery management ICs for power tools applications.

Every year, around 49 million people worldwide fall ill with blood poisoning. In the worst cases, it can lead to death. The mortality rate increases with every hour that passes without treatment. With a biosensor manufactured with our microfluidic technology, blood poisoning can be analyzed within 5 minutes - up to 72 hours earlier than previously possible.



HEY CHIP,
CAN YOU
CHECK MY
HEALTH?

SURE, I CAN EVEN
SAVE YOUR LIFE - BY
RECOGNIZING LIFE-
THREATENING SEPSIS
AT AN EARLY STAGE.



5. X-FAB CONSOLIDATED FINANCIAL STATEMENTS

5.1 Summary of important developments

Revenue and results

The Group's total sales revenue in 2023 amounted to USD 906,786 thousand (2022: USD 739,469 thousand), an increase of 23% compared to the previous year. The Group recorded a net profit in 2023 of USD 161,895 thousand compared to a net profit of USD 52,491 thousand in the previous year.

Revenues include USD 16,605 thousand recognized for the sale of wafers over time under long-term contracts with customers which meet the criteria for over time recognition in accordance with IFRS 15. The volume of business arising on long-term contracts meeting the criteria for over time recognition has become material under IFRS 15 for the first time in the current financial year. From now on X-FAB will consistently report revenues over time in line with the terms and the long-term nature of these contracts.

Gross profit increased from USD 175,954 thousand in 2022 to USD 258,052 thousand in 2023 as a result of the Group's increased sales revenues and improved profit margin.

Operating profits and profit before tax in the previous year were offset by the non-recurring effects of the settlement of an arbitration agreement in 2022 of USD 36,811 thousand, associated interest penalties of USD 12,624 thousand, and legal costs of USD 1,271 thousand (note 6.10).

There have been no significant effects on the Group's balance sheet or any significant effects on the carrying value or fair values of financial instruments arising from the war in Ukraine.

Cost of sales

Cost of sales includes material expenses such as raw materials, the costs of maintaining fixed assets, depreciation, staff costs, and costs for external services. In 2023 cost of sales increased by USD 85,219 thousand or 15% compared to the financial year 2022, partially related to the inclusion of manufacturing costs totaling USD 8,752 thousand representing the cost of sales associated with the cost of products for which revenues have been recognized over time.

Research and development expenses

Research and development expenses amounted to USD 47,191 thousand in 2023, representing 5% of revenue (2022: 6%). Compared to the previous year the research and development expenses increased by 16%. 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 customers' analog/mixed-signal needs.

General, administrative, and selling expenses

General, administrative, and selling expenses increased by 26% in 2023.

Financial result

The Group's net financial expense (finance costs less finance income) decreased by USD 17,782 thousand from a net expense of USD 20,273 thousand in 2022 to a net expense of USD 2,491 thousand in 2023. This decrease was primarily attributable to the settlement of the arbitration award in the previous year described above and discussed in more detail in note 6.10.

5.2 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 consolidated 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 annual report provides a fair view of the development and results of the Company and the companies included in the consolidation, as well as a description of the main risks and uncertainties that they are exposed to.

5.3 Statutory auditor's report to the general meeting of X-Fab Silicon Foundries SE on the consolidated financial statements as of and for the year ended December 31, 2023

In the context of the statutory audit of the consolidated financial statements of X-Fab Silicon Foundries SE ("the Company") and its subsidiaries (jointly "the Group"), we provide you with our statutory auditor's report. This includes our report on the consolidated financial statements for the year ended December 31, 2023, as well as other legal and regulatory requirements. Our report is one and indivisible.

We were appointed as statutory auditor by the general meeting of April 27, 2023, in accordance with the proposal of the board of directors issued on the recommendation of the audit committee. Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ended December 31, 2025. We have performed the statutory audit of the consolidated financial statements of the Group for 16 consecutive financial years.

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the Group as of and for the year ended December 31, 2023, prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising material accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to USD 1.703.814 thousand and the consolidated statement of profit or loss shows a profit for the year of USD 161.895 thousand.

In our opinion, the consolidated financial statements give a true and fair view of the Group's equity and financial position as at December 31, 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Basis for our unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as adopted in Belgium. In addition, we have applied the ISAs as issued by the IAASB and applicable for the current accounting year while these have not been adopted in Belgium yet. Our responsibilities under those standards are further described in the "Statutory auditors' responsibility for the audit of the consolidated financial statements" section of our report. We have complied with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the independence requirements.

We have obtained from the board of directors and the Company's 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 matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of deferred tax assets

We refer to note 4.19 section of the consolidated financial statements for the accounting policies relating to deferred taxes and to note 6.13 for the disclosures relating to deferred taxes as at December 31, 2023.

Description

The Group, which is subject to various tax jurisdictions and resulting obligations, has a significant amount of unused tax losses carried forward (USD 211,2 million) and deductible temporary differences (USD 226,2 million) and has recognized deferred tax assets of USD 83,8 million as at December 31, 2023.

Deferred tax assets are recognized only to the extent that it is probable that sufficient future taxable profits will be generated, against which the unused tax losses carried forward and deductible temporary differences can be utilized. Significant judgement is required to assess the amount of probable future taxable profits that support the recognition of deferred tax assets.

Our audit procedures

In collaboration with our own tax specialists, we have assessed the Group's ability to utilize the deferred tax assets. Our procedures included:

- Obtaining the forecasted taxable income in the various tax jurisdictions and reconciling these to the latest budget and forecasts approved by the board of directors;
- Assessing the consistency and reliability of the Group's approach to budgeting by comparing historical budgets to actual results;
- Challenging management's key assumptions used in its budget and forecasts, such as projected growth rates, by comparing them with our own expectations derived from our knowledge of the industry and our knowledge gained during our audit;
- Recalculating independently the deferred tax assets which comprise a combination of temporary differences between tax and accounting values as well as available tax losses;

- Assessing whether deferred tax assets had been appropriately recognized in the consolidated financial statements as at December 31, 2023 based on the extent to which they can be recovered by future taxable profits; and
- Assessing the adequacy of the relevant disclosures.

Board of directors' responsibilities for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, 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 financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements 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 the users taken on the basis of these consolidated financial statements.

When performing our audit we comply with the legal, regulatory and professional requirements applicable to audits of the consolidated financial statements in Belgium. The scope of the statutory audit of the consolidated financial statements does not extend to providing assurance on the future viability of the Group nor on the efficiency or effectivity of how the board of directors has conducted or will conduct the business of the Group. Our responsibilities regarding the going concern basis of accounting applied by the board of directors are described below.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also perform the following procedures:

- Identify and assess the risks of material misstatement of the consolidated financial statements, 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 controls 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 board of directors;
- Conclude on the appropriateness of 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 auditors' report to the related disclosures in the consolidated financial statements 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 auditors' 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 financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient 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 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 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.

For the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements 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 board of directors' annual report on the consolidated financial statements.

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 as applicable in Belgium, our responsibility is to verify, in all material respects, the board of directors' annual report on the consolidated financial statements, and to report on these matters.

Aspects concerning the board of directors' annual report on the consolidated financial statements

Based on specific work performed on the board of directors' annual report on the consolidated financial statements, we are of the opinion that this report is consistent with the consolidated financial statements for the same period and has been prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the board of directors' annual report on the consolidated financial statements contains material misstatements, that is information incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you.

The non-financial information required by article 3:32 §2 of the Companies' and Associations' Code has been included in the board of directors' annual report on the consolidated financial statements. The Company has prepared this non-financial information based on the Global Reporting Initiative ("GRI") Standards. In accordance with art 3:80 §1, 1st paragraph, 5° of the Companies' and Associations' Code, we do not comment on whether this non-financial information has been prepared in accordance with the mentioned GRI Standards.

Information about the independence

- Our audit firm and our network have not performed any engagement which is incompatible with the statutory audit of the consolidated accounts and our audit firm remained independent of the Group during the term of our mandate.
- The fees for the additional engagements which are compatible with the statutory audit referred to in article 3:65 of the Companies' and Associations' Code were correctly stated and disclosed in the notes to the consolidated financial statements.

European Single Electronic Format (ESEF)

In accordance with the draft standard on the audit of compliance of the Financial Statements with the European Single Electronic Format (hereafter "ESEF"), we have audited as well whether the ESEF-format is in accordance with the regulatory technical standards as laid down in the EU Delegated Regulation nr. 2019/815 of 17 December 2018 (hereafter "Delegated Regulation").

The Board of Directors is responsible for the preparation, in accordance with the ESEF requirements, of the consolidated financial statements in the form of an electronic file in ESEF format (hereafter "digital consolidated financial statements") included in the annual financial report.

It is our responsibility to obtain sufficient and appropriate information to conclude whether the format and the tagging of the digital consolidated financial statements comply, in all material respects, with the ESEF requirements under the Delegated Regulation.

In our opinion, based on our work performed, the format of and the tagging of information in the English version of the digital consolidated financial statements as per December 31, 2023, included in the annual financial report of X-Fab Silicon Foundries SE, are, in all material respects, prepared in compliance with the ESEF requirements under the Delegated Regulation.

Other aspect

- This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.

Hasselt, March 25, 2024

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises
Statutory Auditor represented by



Herwig Carmans

Bedrijfsrevisor / Réviseur d'Entreprises

5.4 Consolidated financial statements

Consolidated statement of profit or loss and other comprehensive income

For the year ended December 31

in thousands of U.S. dollars	Note	2023	2022
Revenue	6.1/12	906,786	739,469
Cost of sales	6.2/6.6/12	(648,734)	(563,515)
Gross profit		258,052	175,954
Research and development expenses	6.3/6.6/12	(47,191)	(40,803)
Selling expenses	6.4/6.6/12	(8,463)	(8,179)
General and administrative expenses	6.5/6.6	(47,157)	(37,487)
Rental income and expenses from investment properties	6.7/6.8/12	2,906	(298)
Impairment loss on trade receivables	7.4	(297)	(104)
Other income and other expenses	6.9/6.10/12	(175)	(31,748)
Operating profit		157,675	57,335
Finance income	6.11/12	34,658	36,531
Finance costs	6.12/12	(37,149)	(56,804)
Net finance income/(costs)		(2,491)	(20,273)
Profit before tax		155,184	37,062
Income tax	6.13	6,711	15,429
Profit for the period		161,895	52,491

Consolidated statement of profit and loss and other comprehensive income (continued)**For the year ended December 31**

in thousands of U.S. dollars	Note	2023	2022
Profit for the period		161,895	52,491
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligation (asset)	7.11	(532)	184
Items that are or may be transferred to profit or loss as follows:			
Foreign currency translation differences for foreign operations		(75)	333
Other	7.8	2,287	–
Other comprehensive income/(loss) for the period, net of income tax		1,680	517
Total comprehensive income for the period		163,575	53,008
Weighted average number of shares outstanding, basic and diluted	6.14	130,631,921	130,631,921
Earnings per share			
Basic and diluted (in U.S. dollars)	6.14	1.25	0.40

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

Consolidated statement of financial position

in thousands of U.S. dollars	Note	December 31, 2023	December 31, 2022
ASSETS			
Non-current assets			
Property, plant, and equipment	7.1	734,488	460,126
Investment properties	7.1	7,171	7,675
Intangible assets	7.2	5,627	6,199
Other assets	7.6	58	79
Deferred tax assets	6.13	83,772	67,977
Total non-current assets		831,116	542,056
Current assets			
Inventories	7.3	269,227	214,435
Contract assets	7.4	24,010	–
Trade and other receivables	7.5/12	123,101	73,116
Income tax receivables	6.13	594	257
Other assets	7.6	50,065	55,768
Cash and cash equivalents	7.7	405,701	369,425
Total current assets		872,698	713,001
Total assets		1,703,814	1,255,057
EQUITY AND LIABILITIES			
Equity			
Share capital	7.8	432,745	432,745
Share premium	7.8	348,709	348,709
Retained earnings	7.8	180,159	16,509
Cumulative translation adjustment	7.8	(301)	(226)
Treasury shares	7.8	(770)	(770)
Total equity		960,542	796,967
Non-current liabilities			
Loans and borrowings	7.11	42,661	63,432
Other liabilities and provisions	7.12	4,024	4,024
Total non-current liabilities		46,685	67,456
Current liabilities			
Trade payables	7.13/12	90,681	53,654
Loans and borrowings	7.11	218,316	233,513
Income tax payable	6.13	10,233	8,210
Provisions	7.14	9,775	7,413
Other liabilities	7.13	367,582	87,844
Total current liabilities		696,587	390,634
Total equity and liabilities		1,703,814	1,255,057

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

Consolidated statement of changes in Group 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 Company	Non-controlling interests	Total equity
At December 31, 2021		130,781,669	432,745	348,709	(36,154)	(559)	(770)	743,971	365	744,336
Profit for the period		–	–	–	52,491	–	–	52,491	–	52,491
Remeasurement of defined benefit plans		–	–	–	184	–	–	184	–	184
Currency translation effect, net of tax		–	–	–	–	333	–	333	–	333
Total comprehensive income		–	–	–	52,675	333	–	53,008	–	53,008
Transactions with owners of the Company										
Distribution to non-controlling interests (GVG)	7.9	–	–	–	–	–	–	–	(11)	(11)
Acquisition of non-controlling interests (GVG)	7.9	–	–	–	(12)	–	–	(12)	(354)	(366)
Total transactions with owners of the Company		–	–	–	(12)	–	–	(12)	(365)	(377)
At December 31, 2022		130,781,669	432,745	348,709	16,509	(226)	(770)	796,967	–	796,967
Profit for the period		–	–	–	161,895	–	–	161,895	–	161,895
Remeasurement of defined benefit plans		–	–	–	(532)	–	–	(532)	–	(532)
Currency translation effect		–	–	–	–	(75)	–	(75)	–	(75)
Other	7.8	–	–	–	2,287	–	–	2,287	–	2,287
Total comprehensive income		–	–	–	163,650	(75)	–	163,575	–	163,575
At December 31, 2023		130,781,669	432,745	348,709	180,159	(301)	(770)	960,542	–	960,542

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

Consolidated statement of cash flows**For the year ended December 31**

in thousands of U.S. dollars	Note	2023	2022
Cash flow from operating activities:			
Profit for the period		161,895	52,491
Income tax	6.13	(6,711)	(15,429)
Income before taxes		155,184	37,062
Reconciliation of net income to cash flow arising from operating activities:		88,948	96,296
Depreciation and amortization, before effect of grants and subsidies	6.6/7.1/7.2	87,939	77,534
Amortization of investment grants and subsidies	6.6	(2,972)	(3,346)
Interest income and expenses (net)	6.11/6.12	2,600	17,407
Loss/(gain) on the sale of plant, property and equipment (net)	6.9/6.10/ 7.1/7.2	(3,373)	(3,889)
Loss/(gain) on the change in fair value of financial assets	6.11/10	–	500
Other non-cash transactions (net)	8	4,754	8,090
Changes in working capital		172,490	(32,887)
Decrease/(increase) of trade and other receivables	7.4	(39,774)	(6,661)
Decrease/(increase) of other assets	7.5	4,855	(12,759)
Decrease/(increase) of inventories	7.3	(52,504)	(33,422)
Decrease/(increase) of contract assets		(24,010)	–
(Decrease)/increase of trade payables	7.12/8	16,634	(1,873)
(Decrease)/increase of other liabilities and provisions	7.11/7.12/7.13	267,289	21,828
Income taxes (paid)/received		(6,658)	(480)
Net cash from operating activities		409,964	99,991
Cash flow from investing activities:			
Payments for property, plant, equipment, and intangible assets	7.1/7.2	(337,789)	(180,580)
Payments for investments in investment properties	7.1	–	–
Payments for acquisition of non-controlling interest	7.9	–	(204)
Payments for loan investments to related parties	12	(276)	(299)
Proceeds from loan investments related parties	12	252	284
Proceeds from the sale of property, plant, and equipment	7.1	3,733	4,017
Interest received	6.11/6.12	10,457	1,801
Net cash used in investing activities		(323,623)	(174,981)
Proceeds from loans and borrowings	7.10	205,784	184,272
Repayment of loans and borrowings	7.10	(241,806)	(11,420)
Receipts from sale and leaseback arrangements	7.10/8	–	7,723
Payment of lease liabilities	7.10	(5,512)	(5,662)
Receipt of government grants and subsidies		–	945
Interest paid	6.10/6.11	(11,630)	(17,812)
Dividends to non-controlling interests	7.9	–	(11)
Net cash from/(used in) financing activities		(53,164)	158,035
Effects of changes in foreign currency exchange rates on cash balances		3,099	(3,807)
Net increase/(decrease) of cash and cash equivalents		33,177	83,045
Cash and cash equivalents at the beginning of the period		369,425	290,187
Cash and cash equivalents at the end of the period		405,701	369,425

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

Notes to the consolidated financial statements

1 Basic information and description of the X-FAB Silicon Foundries SE Group's business

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 parent company's registered address is Transportstraat 1, 3980 Tessenderlo, Belgium.

The Group has no associates, joint ventures, joint operations, or investments in unconsolidated structured entities (entities designed so that voting or similar rights are not the dominant factor in deciding which party controls the entity).

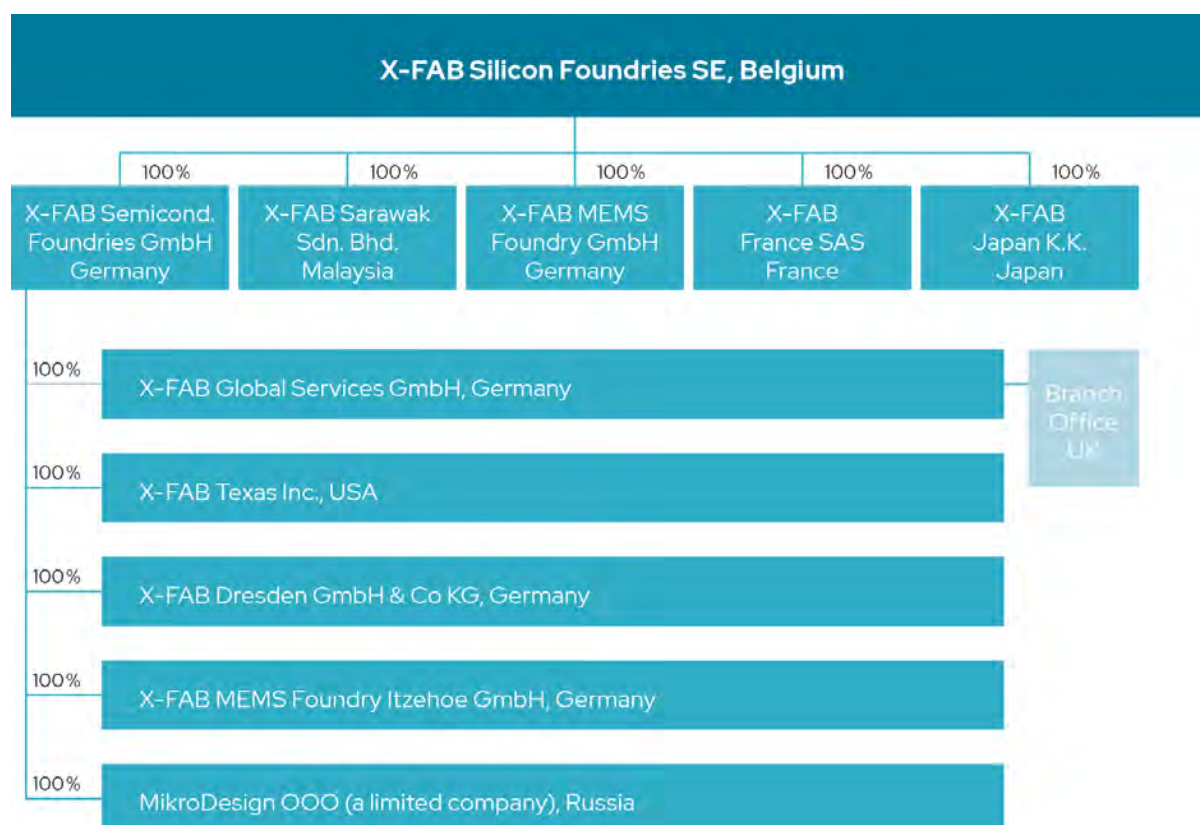
The X-FAB SE Group is one of the world's leading pure-play foundry providers specializing in analog/mixed-signal technologies.

Analog/mixed-signal products are circuits capable of processing digital as well as analog signals. 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. For this purpose, X-FAB SE offers special technology modules, cell libraries, and design kits, which allow the Group's customers to develop specific circuits with broad function spectrum and to accelerate their development processes.

X-FAB SE Group's customers include companies that concentrate on the development of integrated circuits (ICs) and leave their manufacture to others (fabless companies). The Group's customers are primarily in the communication, automotive, consumer, and industrial product sectors, and are located in Europe, the United States, and Asia.

2 Group structure

The X-FAB SE Group structure as of December 31, 2023, is illustrated below.



X-FAB Dresden GmbH & Co. KG refers to X-FAB Dresden GmbH & Co. KG and X-FAB Dresden Verwaltungs-GmbH

The Group's primary operations are held by X-FAB Semiconductor Foundries GmbH (X-FAB GmbH), X-FAB Dresden GmbH & Co. KG (X-FAB Dresden), X-FAB Texas Inc., Lubbock, Texas (X-FAB Texas), X-FAB Sarawak Sdn. Bhd. (X-FAB Sarawak), and X-FAB France SAS (X-FAB France), each of which operate wafer factories at their respective locations. X-FAB MEMS Foundry Itzehoe GmbH (MFI) and X-FAB MEMS Foundry GmbH (XMF) offer process technologies for the fabrication of micro mechanical sensors for the detection of pressure, acceleration, rotation, and IR-radiation including integrated solutions that combine MEMS and CMOS. The remaining entities provide research and development, marketing and sales, and administration services to other Group entities or serve administrative purposes.

Business activities at MikroDesign OOO ceased in the financial year 2023 and the company is currently in the process of being liquidated.

3 Basis of preparation

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. All IFRS and IAS standards and associated interpretations were adopted to the extent that they had been endorsed by the European Union by the date of issue of these financial statements.

The consolidated financial statements of X-FAB SE Group for the year ended December 31, 2023, were authorized for issue in accordance with a resolution of the directors on March 21, 2024.

3.2 Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial assets and liabilities and the net defined benefit liability for post-retirement obligations, which is measured at the present value of the defined obligation less the fair value of plan assets.

3.3 Functional and presentation currency

The consolidated financial statements are presented in U.S. dollars (USD), which is the functional and presentation currency of the parent company and the Group's primary operating companies. Amounts are rounded to the nearest thousand except when otherwise indicated. Rounding differences may occur.

3.4 Use of judgments, assumptions, and estimation uncertainties

In preparing these consolidated financial statements management has made judgments, assumptions, and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual amounts 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.

Judgments

Determination of functional currency

The functional currency of the holding company and most of its subsidiaries has been assessed as the U.S. dollar (USD) due to the fact that the currency that mainly influences sales prices for goods and services is the USD. Only two subsidiaries have different functional currencies (the euro and the Russian ruble). These subsidiaries are not significant to the Group's consolidated financial statements.

With respect to the holding company the assessment is based on the fact that the holding acts as an investment holding entity (in operational subsidiaries with USD as their functional currency) and its sole activity consists of the re-allocation of Group costs which are incurred and subsequently recharged in USD. Hence the USD is deemed the most appropriate functional currency of the holding for the preparation of the consolidated financial statements.

Revenue recognition (note 4.3)

There has been a change applied in the recognition of revenues for the sale of process control wafers (PCM wafers). PCM wafers manufactured and sold by the Group are generally customer-specific, i.e., when manufacturing goods for a customer X-FAB is creating an asset for the customer that has no alternative use for X-FAB. In previous reporting periods, for the majority of contracts with its most important customers X-FAB had determined that it does not have an enforceable right to obtain payment for work completed should a customer cancel an incomplete contract for reasons other than any failure by X-FAB to perform as promised. Based on this assessment, revenue from the sale of PCM wafers was recognized when shipment had been made. In the current financial year X-FAB has determined that the volume of contracts for which it supplies customer-specific goods and for which it has an enforceable right to obtain payment for work completed should a customer cancel an incomplete contract for reasons other than any failure by X-FAB to perform as promised is significant. For such contracts, as from the consolidated financial statements for the year ended December 31, 2023 and for subsequent periods thereafter revenue is recognized over time, i.e., over the period in which the Group meets its performance obligations under those contracts proportionate to the fulfillment of its performance obligations under the contracts.

There has been no change in the accounting policy for the recognition of revenues for which the Group does not have an enforceable right to obtain payment for work completed.

Invoices are usually payable within 30 days. No discounts of the invoiced amounts are offered to customers in exchange for prompt payment of invoices. Sales prices with customers do not include a significant financing component.

The effect of the above change is described in notes 4.3 and 6.1.

Recognition of right-of-use assets and lease liabilities (notes 4.17 and 11)

The Group recognizes right-of-use assets and lease liabilities for certain assets held under leasing arrangements. 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 is 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. Should the Group make changes to its assessment of whether the renewal or termination options will be exercised, it may be necessary to increase or decrease the right-of-use assets and lease liabilities recognized.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the next financial year is included in the following notes:

Recognition of deferred tax assets (note 6.13)

Deferred tax assets are recorded where it is considered probable that tax savings will be made in future periods from the use of losses carried forward and from the reversal of taxable timing differences arising on the difference between the accounting and tax values of the Group's assets. Taxable profits and the reversal of timing differences in the next financial year may differ from the amounts assumed, and assumptions made in the next financial year about future taxable profits and reversals of subsequent years may change. Such changes could result in a material adjustment.

Measurement of expected credit losses (ECLs) on trade receivables (note 7.4)

Allowances are made to reflect estimates of the amount of ECLs on any receivables. The actual amount of credit losses for receivables in the year ending December 31, 2024, may differ from the amounts recorded as impairments in the year ended December 31, 2023, which may result in a material adjustment.

With the exception of the assessment of the significance of customer contracts requiring recognition over time, the significant judgments 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, 2022.

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 13, 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.

Further information about the assumptions made in measuring fair values is included in the following notes:

- 7.1 Property, plant, equipment, and investment properties
- 7.4 Trade and other receivables
- 7.10 Loans and borrowings
- 10 Financial instruments – fair values and risk management

4 Summary of accounting policies

With the exception of the accounting policy applied to contracts with customers for the sale of wafers which meet the criteria for revenue recognition over time (refer to 4.3 below), the accounting policies applied are consistent with those applied in the annual consolidated financial statements for the year ended December 31, 2022.

4.1 Basis of consolidation

Entities included in the Consolidation

The consolidated financial statements include the financial statements of the parent company and its subsidiaries, which are entities directly or indirectly controlled by the parent company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Control is generally obtained by ownership of a majority of shares.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income, and expenses, as well as profits and losses resulting from intra-group transactions, are fully eliminated in these consolidated financial statements.

Non-controlling interests

Non-controlling interests represent the portion of profit or loss, component of other comprehensive income and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly, by the parent company. Non-controlling interests' share of income and share of equity are presented separately in the income statement and within equity in the consolidated statement of financial position respectively, separately from parent shareholder's equity.

Non-controlling interests are measured at the date of acquisition at their proportionate share of the acquired company's identifiable net assets.

4.2 Foreign currency translation

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of the initial transactions. If the functional

currency of a consolidated entity differs from the Group's presentation currency, assets and liabilities of that entity are translated into the presentation currency at the closing rate at the statement of financial position date, whereas equity is translated using the historic rates, and the income statement is translated at the average rate of the reporting period. All resulting differences are recognized in the cumulative translation adjustment in equity.

4.3 Revenue from contracts with customers

Sales revenue is measured based on the consideration specified in a contract with a customer. Sales revenues are recognized net of discounts, customer bonuses, and rebates granted.

There is no significant uncertainty concerning the nature, amount, or timing of the revenue or the cash flows of the revenues reported. The Group recognizes revenue when it transfers control over a good or service to a customer.

Sale of process control wafers (PCM wafers)

PCM wafers are goods that are generally customer specific, i.e. when manufacturing goods for a customer, X-FAB is creating an asset for the customer that has no alternative use to X-FAB. In general, revenue from the sale of wafers is recognized at a point in time. In the financial year 2023, for the first time the Group also reports revenues from wafer sales which are recognized over time, i.e., on the basis of progress made towards fulfilling the Group's performance obligation under the supply contract, and not, as is the case with revenue recognized at a point in time, only when the wafers are completed and delivered to the customer. Revenue for wafer sales recognized over time represents the Group's rights to consideration for work completed but not invoiced at the reporting date for wafer sales under long-term contracts which meet the criteria for revenue recognition over time. Contracts with customers meet the criteria for recognition over time when work performed under the contract creates an asset which has no alternative use to X-FAB (for example, due to the specific nature of the product or to exclusivity agreements) and X-FAB has an enforceable right to payment for the performance of the work completed. Progress towards fulfilling the Group's performance obligations under such contracts is determined based on the cost-to-cost method as X-FAB is of the opinion that this measure most faithfully depicts the transformation of the work in progress. Revenues for the sale of wafers which meet the criteria for revenue recognition over time were not material in previous reporting periods.

In connection with long-term contracts with customers, and as described in note 7.13 below, in the financial year 2023 the Group has received prepayments from customers for future wafer sales and capacity reservation deposits. These amounts, which are initially recognized as other liabilities, include variable consideration for the goods transferred to the customer within the contract. When recognizing

revenue for the contract, the Group is required to estimate the amount of variable consideration to which it will be entitled in exchange for transferring the promised goods to the customer. To the extent that part of the prepayment will be retained by X-FAB without X-FAB being required to offset amounts against valid purchase orders (for example, when there is a shortfall in customer orders compared to the amounts agreed under the sales contract when X-FAB is entitled to retain the revenue prepaid), the revenue recognized as revenue for the goods that have been delivered includes amounts attributable to the expected shortfall. However, variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved.

Invoices are usually payable within 30 days. No discounts of the invoiced amounts are offered to customers in exchange for prompt payment of invoices. Sales prices with customers do not include a significant financing component.

Sales of non-recurring engineering (NRE) services and technology services

When providing non-recurring engineering (NRE) services and technology services X-FAB creates an asset for a customer that has no alternative use to X-FAB as the prototype wafers created are generally customer specific. Invoices are issued according to contractual terms – based on milestones – and are usually payable within 30 days. X-FAB has an enforceable right to payment for the performance of work completed up to the agreed milestones. Revenue is therefore recognized over time, and X-FAB applies a practical expedient for the measurement of progress. Invoicing based on milestones is a reasonable approximation of the progress made to completing the performance obligation. No discounts of the invoiced amounts are offered to customers in exchange for prompt payment of invoices. Sales prices with customers do not include a significant financing component.

Rental and other income

Revenue in respect of rental and other income is recognized over time when the relevant service is provided (see 4.6 below).

Warranty obligations

The Group typically provides warranties for defects that existed at the time of sale, as required by the terms and conditions of sale. These are assurance-type warranties which are accounted for as warranty provisions based on past experience. No service-type warranties are sold either separately or bundled together with the sale of the Group's products.

Contract costs and contract fulfillment costs

Costs of obtaining contracts requiring capitalization have been incurred by the Group; however, the

deferral of such costs is not material for the purposes of these consolidated financial statements.

No costs of fulfilling contracts requiring capitalization have been incurred which are not recorded as assets in accordance with IAS 2 Inventories, IAS 16 Property, Plant and Equipment, or IAS 38 Intangible Assets.

4.4 Research and development expenses

Research and development expenses comprise staff expenses, depreciation, and other directly attributable expenses and are allocated process based, i.e. relate to research and development activities that are not related to the improvement of the existing production technologies. Costs incurred in connection with improving existing production technologies used in operational production lines are allocated to cost of sales.

Research and development costs are expensed as incurred. X-FAB SE Group considers that development work performed does not qualify for capitalization because the amount of future benefits to be derived from use of work performed is characterized by a high level of uncertainty until the projects are completed.

Government grants are awarded to the Group for its research and development activities in the form of cash tax payments or tax credits. IAS 20 Government Grants is applied to all grants, including the research and development grants received by X-FAB France, which are paid out using the French corporation tax system. The grants are recognized as income and as a non-current or current asset, as appropriate, when there is reasonable assurance that the entity will comply with the relevant conditions set out in the terms of the grant arrangement and that the grant will be received. These income-related grants are recognized in profit or loss on a systematic basis as the entity recognizes as expenses the costs that the grants are intended to compensate.

4.5 Finance income and finance costs

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

4.6 Rental income from investment properties

Rental income from operating leases on investment property is accounted for on a straight-line basis over the lease term. Lease incentives granted are recognized as an integral part of the total rental income and recognized over the term of the lease.

4.7 Employee benefits

Employee benefits consist of short-term employee benefits, payments into defined contribution pension schemes, and a long-service retirement lump-sum payment scheme at the Group's subsidiary X-FAB France. The Group has no share-based payment arrangements.

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

The Group's net obligation in respect of the long-service retirement lump-sum payment scheme is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount, and deducting the fair value of any plan assets. The calculation of the obligation is performed annually by an independent third-party expert actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest), and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Termination benefits are recorded as an expense at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs of a restructuring. The benefits are discounted if it is not expected that they will be settled wholly within 12 months of the reporting date.

4.8 Property, plant, equipment, and investment properties

Property, plant, and equipment are measured at purchase cost less accumulated depreciation and accumulated impairment losses. Purchase cost includes expenditure that is directly attributable to the acquisition of the asset. These accounting policies have also been applied to investment properties under the cost model in accordance with IAS 40.

Depreciation is provided using the straight-line method for property, plant, factory, and office equipment and for investment properties. Depreciation is calculated to write off the cost of items of property, plant, and equipment less their estimated residual values using the straight-line method over their estimated useful lives. If significant parts of an item of property, plant, and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant, and equipment.

The following useful lives are used as a basis for calculating depreciation:

- Buildings, including investment properties: over 40–50 years
- Factory and office equipment: straight-line over 3–10 years

Borrowing costs were not capitalized because no borrowing costs applicable to the assets qualifying for the capitalization of borrowing costs were incurred in the period. Costs incurred which extend the useful life of assets, or which increase performance or capacity of assets, are capitalized where appropriate. Maintenance and repair costs are expensed as incurred.

Assets are recorded as disposals when they are sold or scrapped. The resulting gain or loss is recorded in income within "other income" or "other expenses" as appropriate.

4.9 Intangible assets

Purchased intangible assets are capitalized at purchase cost, including, where applicable, own work capitalized in preparing the intangible assets for use, and depreciated on a straight-line basis over their expected useful lives. The useful life applied is five years.

Internally generated intangible assets were not capitalized because the criteria for capitalization were not met (see note 4.4).

The Group has no intangible assets with indefinite useful lives.

4.10 Impairment

The carrying amounts of the Group's non-financial assets other than inventories and deferred tax assets (for which separate reviews are performed) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.11 Financial instruments**Recognition and initial measurement**

Trade receivables are initially recognized when they are originated, i.e. when or as the goods and services are provided and the revenue for those goods and services is recognized. Regular way purchases and sales of financial assets were accounted for at the settlement date. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the financial instrument. The Group's trade receivables do not include a significant financing component and the amounts recognized for trade receivables are initially recognized at the transaction price. All other financial assets and financial liabilities are initially recognized at fair value plus, for items not recognized at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

(a) Financial assets at amortized cost

A financial asset is classified as measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Debt investments at fair value through other comprehensive income (FVOCI)

A debt investment is classified as measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) Equity investments at fair value through other comprehensive income (FVOCI)

An equity investment is classified as measured at fair value through other comprehensive income if it is not held for trading and the Group irrevocably elects to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

(d) Financial assets at fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets, equity investments held for trading, and equity instruments not held for trading, but for which the Group did not elect to present fair value changes in other comprehensive income.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. No such designations have been made by the Group.

Financial assets – business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash

outflows, or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales of financial assets in prior periods, the reasons for such sales, and the expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable

additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par value, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. The Group does not apply hedge accounting and accordingly does not apply alternative allowed accounting treatment permitted for derivatives designated as hedging instruments.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative, or it is designated as such on initial recognition, whereby no liabilities as at FVTPL have been made by the Group. Financial liabilities at FVTPL are measured at fair value, and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Derecognition***Financial assets***

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or canceled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Offsetting

No financial assets or liabilities are presented on a net basis in these consolidated financial statements.

Impairment

The Group recognizes loss allowances for the expected credit losses (ECLs) that it expects to incur over the lifetime of financial assets which it measures at amortized cost.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs for non-credit-impaired receivables is assessed collectively based on a probability-weighted estimate of credit losses dependent on the number of days the balances are overdue. Expected credit losses are measured based on past experience of the recovery of similar portfolios

of receivables as the Group considers this to be a reasonable approximation of the present value of the shortfalls that can be expected in future. ECLs are discounted at the effective interest rate of the financial asset if the discounting effect is determined to be material. Based on the contractual agreements, receivables are in default when the balances are unpaid by the due date. Dunning collection procedures commence when a receivable is five days overdue. Receivables are classified as credit impaired from the date on which the receivable is 90 days overdue, despite dunning procedures having been performed, or from the date any other specific indications are received that a significant deterioration in credit has occurred. Credit-impaired receivables are assessed on a case-by-case basis and assessments of collectability are based on the information available concerning the outstanding balance, including discussions with the customer, assessments of the reliability of the information provided, available counterclaims or security, an understanding of the economic climate in which the customer operates, and experience with that customer, as well as experience of similar collection procedures.

The relevant amounts are written off when the Group considers that there is no realistic prospect of recovery of the receivable and when no further enforcement activity is taken. When a customer is in liquidation the outstanding amounts are listed and monitored in an ongoing liquidation register until the liquidation process is complete.

No loss allowances are made for cash and cash equivalents as it has been determined that, because of the good standing of the Group's banking partners, the credit risk at the reporting date is so low that the ECLs are insignificant both at the date of their initial recognition and since initial recognition.

Fair values of cash and cash equivalents and current receivables and liabilities

The fair values of cash and cash equivalents, current receivables, and current liabilities approximate their book values due to their short-term nature.

4.12 Derivative financial instruments

The Group holds derivative financial instruments to hedge certain foreign currency and interest risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivative financial instruments are not designated as hedging instruments for hedge accounting purposes and are accordingly classified as fair value through profit or loss.

Gains and losses from changes in the fair values of the derivative financial instruments are reported in the income statement within finance income and finance expenses. The fair values of the derivative financial instruments are presented in the statement of financial position as other current assets and/or other current

liabilities, as appropriate, unless their maturity exceeds 12 months in which case they will be presented as non-current.

4.13 Inventories

Inventories of raw materials, consumables, and supplies are measured at the lower of cost and net realizable value. The cost of inventories comprises all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition, determined by using the weighted average acquisition cost method. Allowances are recognized if the carrying amount exceeds the expected sales price less the estimated cost to complete the inventories and the cost of marketing, sales, and distribution activities. Allowances are made in full for inventories with no realizable value.

4.14 Cash and cash equivalents

Cash and cash equivalents represent cash in hand, checks, and available balances on bank current accounts with an original maturity of four weeks or less. The use of cash and cash equivalents reported are in general not subject to restrictions with the exception of term deposits reported as cash in note 7.7.

4.15 Equity Share capital

The nominal paid-in contribution amount on each share is recorded in share capital.

Share premium

Incremental costs directly attributable to the issue of share capital are recognized as a deduction from the share premium account, less any related tax effects.

Treasury shares

The Group reports treasury shares as deductions from the Group equity at the cost of purchase.

Equity instruments and financial liabilities

Equity instruments and financial liabilities (including share capital, redeemable preference shares, and other loans and borrowings) are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves. Equity instruments issued are recorded at the proceeds received, net of direct issue costs. A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavorable conditions. In addition, contracts that result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities. Finance costs and gains or losses relating to financial liabilities are included in the income statement.

The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability.

4.16 Provisions

Provisions are recognized when present obligations (legal or constructive) exist which result from past events and which are expected to result in an outflow of resources of which the timing or amount is uncertain. The provisions are measured at the discounted amount of the expected future cash flows arising under the respective obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects current market assessments of the time value of money and of the risk specific to the liability.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. A provision for onerous contracts is recognized for each specific contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under the contract.

4.17 Leases

The Group assesses whether a contract is, or contains, a lease arrangement. 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.

The Group as lessee

The assets held under the Group's leasing arrangements are primarily commercial properties, production equipment, and infrastructure equipment.

The Group recognizes right-of-use assets and lease liabilities for most assets, i.e. these are presented on-balance sheet. However, it 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" in the statement of financial position, on 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.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, 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 Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Some of the Group's lease contracts include renewal or termination options. In order to determine the lease term for these contracts the Group takes into account all relevant facts and circumstances in order to assess whether it is 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.

Generally, the Group uses an estimate of its incremental borrowing rate as the discount rate. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option, or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Sale and leaseback transactions

When the Group undertakes a sale and leaseback transaction with a buyer-lessor, it determines whether the transfer qualifies as a sale. This determination is based on the requirements for satisfying a performance obligation in IFRS 15 Revenue from Contracts with Customers. If the transfer qualifies as a sale and the transaction is on market terms the Group splits the previous carrying amount of the underlying asset into (a) a right-of-use asset arising from the leaseback and (b) the rights in the underlying asset retained by the buyer-lessor at the end of the leaseback. The Group recognizes a portion of the total gain or loss on the sale. The amount recognized is calculated by splitting the total gain or loss into (a) an unrecognized amount relating to the rights retained by the seller-lessee and (b) an amount recognized amount relating to the buyer-lessor's rights in the underlying asset at the end of the leaseback. The leaseback itself is then accounted for under the lessee accounting model. Adjustments are required if consideration for the sale is not at fair value and/or

payments for the lease are not at market rates. These adjustments result in recognition of a prepayment to reflect below-market terms and/or additional financing provided by the buyer-lessor to the seller-lessee to reflect above-market terms.

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. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it examines each lease at lease inception to determine whether is a finance lease or an operating lease. This consists of making an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease. If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

All leases entered into by the Group as lessor to date have been classified as operating leases and relate to investment properties rented to third parties. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of "Income from investment property rentals."

4.18 Subsidies

The Group receives government assistance in the form of government investment grants and investment subsidies which are dependent on the acquisition of certain assets qualifying under the respective grant awards. Grants and subsidies related to assets are recognized when there is reasonable assurance that the entity will comply with the relevant conditions of the grant, and that grant will be received. They are recognized in profit or loss on a systematic basis as the entity recognizes as expenses the costs that the grants

are intended to compensate. The investment grants and subsidies received reduce the purchase cost for the relevant subsidized assets recorded under property, plant, and equipment.

The receipt of government assistance is governed by terms set out in law and by specific terms and conditions attached to the applicable grants and subsidies.

4.19 Income taxes

The income tax charge includes current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on taxable profit or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are only offset if certain criteria are met.

The Group has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, in accordance with the amendments to IAS 12 issued in May 2023.

Deferred income taxes reflect the 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 and the deferred benefits expected from unused tax losses, unused tax credits, and other credits carried forward, whereby amounts are only recognized when their realization is considered by management to be probable. 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 substantively enacted at the statement of financial position 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 statement of financial position date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are not discounted and are classified as non-current assets in the statement of financial position. Current and deferred tax assets and liabilities are offset only if certain criteria are met. Such criteria mean the entity has a legally enforceable right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle

the liability simultaneously. 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 statement of financial position date, the Group reassesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. The Group 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 probability of recognition is based on the expected tax profits included in the Group's current business planning. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilized. A deferred tax liability is recognized for all taxable temporary differences, unless the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

4.20 Changes to accounting policies

New accounting pronouncements

The following amendments to standards, which are effective for annual periods beginning on or before January 1, 2023, have been applied by the Group for the first time in preparing these consolidated financial statements.

Standard/interpretation	Effective date
IFRS 17 Insurance Contracts (issued on May 18, 2017); including Amendments to IFRS 17 (issued on June 25, 2020)	January 1, 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on February 12, 2021)	January 1, 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued on February 12, 2021)	January 1, 2023
Amendments to IAS 12 Income Taxes: Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued on May 7, 2021)	January 1, 2023
Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on December 9, 2021)	January 1, 2023
Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules (issued on May 23, 2023)	January 1, 2023

Standard/interpretation	Effective date
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on September 22, 2022)	January 1, 2023
Amendments to IAS 1 Presentation of Financial Statements: <ul style="list-style-type: none"> Classification of Liabilities as Current or Non-current (issued on January 23, 2020); Classification of Liabilities as Current or Non-current – Deferral of Effective Date (issued on July 15, 2020); and Non-current Liabilities with Covenants (issued on October 31, 2022) 	January 1, 2023

The above amendments to standards and amended interpretations did not have a significant effect on the consolidated financial statements of the X-FAB Group.

New standards, amendments to standards, and interpretations effective for annual periods beginning after January 1, 2023

A number of new standards, amendments to standards, and interpretations are not yet effective for annual periods ended December 31, 2023, and have not been applied in preparing these consolidated financial statements.

The Group is examining whether the amendments to IAS 1 Classification of Liabilities as Current or Non-current will require an amendment to the presentation of borrowings under the multicurrency revolving credit facility currently presented as current liabilities.

As a consequence of the amendments to IAS 1 these obligations may in future be reported as non-current liabilities until the borrowing facility as a whole has a remaining period to maturity of one year or less, irrespective of whether management chooses to repay them within one year within the process of managing its overall capital requirements.

The remaining amendments are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements:

- Classification of Liabilities as Current or Non-current Date (issued on January 23, 2020);
- Classification of Liabilities as Current or Non-current – Deferral of Effective Date (issued on July 15, 2020); and
- Non-current Liabilities with Covenants (issued on October 31, 2022)

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current Date (issued on January 23, 2020, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments:

- specify that an entity's right to defer settlement must exist at the end of the reporting period;
- clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
- clarify how lending conditions affect classification; and
- clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

On July 15, 2020, the IASB issued **Classification of Liabilities as Current or Non-current – Deferral of Effective Date (Amendment to IAS 1)** deferring the effective date of the January 2020 amendments with one year.

On October 31, 2022, the IASB issued **Non-current Liabilities with Covenants**, which amends IAS 1 and specifies that covenants (i.e. conditions specified in a loan arrangement) to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements.

All of the amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The amendments have not yet been endorsed by the EU

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback, issued on September 22, 2022, introduce a new accounting model which will impact how a seller-lessee accounts for variable lease payments in a sale-and-leaseback transaction.

Under this new accounting model for variable payments, a seller-lessee will:

- include estimated variable lease payments when it initially measures a lease liability arising from a sale-and-leaseback transaction; and
- after initial recognition, apply the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains.

These amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction.

The amendments apply retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted. These amendments have been endorsed by the EU.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements, issued on May 25, 2023, introduce additional disclosure requirements for companies that enter into supplier finance arrangements. The amendments are effective for periods beginning on or after January 1, 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available. These amendments have not yet been endorsed by the EU.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability, issued on August 15, 2023, clarify when a currency is exchangeable into another currency (and when it is not). When a currency is not exchangeable, a company needs to estimate a spot rate. The company's objective when estimating a spot rate is that it reflects the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments contain no specific requirements for estimating a spot rate. Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with early adoption permitted. These amendments have not yet been endorsed by the EU.

5 Business combinations

There have been no business combinations involving the Group in the years ended December 31, 2023, or December 31, 2022.

Subsequent to the balance sheet date, on January 1, 2024, the Group acquired the entire share capital of M-MOS Semiconductor Hong Kong Limited (M-MOS), a limited liability company incorporated under the laws of Hong Kong, and its subsidiaries for a consideration of EUR 22,500 thousand (USD 24,863 thousand) payable in cash. M-MOS was acquired from XTRION, a related party.

M-MOS is a developer of metal-oxide-semiconductor field-effect transistor (MOSFET) process technologies and designs standard and custom devices using MOSFET technologies focusing on selling wafers to its customers. The acquisition was made to generate business synergies in particular in respect of the MOSFET wafer business.

No acquisition costs have been recorded as expenses in the financial year 2023 in respect of the acquisition.

The following table summarizes the assets and liabilities assumed as a result of the acquisition at January 1, 2024:

in thousands of U.S. dollars	
Property, plant, and equipment	238
Deferred tax assets	66
Inventories	2,805
Accounts receivable	4,483
Other assets	4,532
Cash and cash equivalents	23,229
Total assets	35,353
Non-current loans and borrowings	26
Trade payables	2,691
Other current liabilities	7,712
Deferred tax liabilities	134
Total liabilities	10,563
Total identifiable assets and liabilities acquired	24,790

The above amounts represent the Group's preliminary estimates of the fair values of the assets and liabilities assumed based on provisional assessments available as at the date of the issue of these consolidated financial statements. The Group's accounting for the acquisition will be based on the Group's final assessment of the fair values of the assets and liabilities assumed.

The accounting for the acquisition will be revised if new information is obtained within one year of the acquisition about facts and circumstances that existed at the date of acquisition which identifies adjustments to the above amounts, or which identifies the necessity to record any additional provisions for obligations that existed at the date of acquisition.

No material differences between carrying value and fair market value have been identified. Thus, the Group's accounting for the M-MOS acquisition will be based on these established values.

Goodwill of USD 73 thousand will be recognized as a result of the business combination. The goodwill is attributable to the skills and technical knowledge of the employees of M-MOS and the synergies that the Group anticipates generating as a result of the acquisition.

6 Notes to the consolidated statement of profit or loss

6.1 Revenue

Revenue, which wholly and exclusively represents revenue from contracts with customers, comprises the following (refer to note 9 for revenue by geographic concentration):

in thousands of U.S. dollars	2023	2022
Gross revenue PCM wafer	787,180	653,420
Gross revenue NRE and technology services	109,246	92,217
Revenue recognized over time PCM wafer	16,605	–
Other revenue	24	16
Discounts and warranty credits	(6,269)	(6,184)
Total	906,786	739,469

Revenues from production increased by 20%, driven by a consistently strong demand across all end markets, while revenue from prototyping increased by 18%.

Revenue from PCM wafer sales is generally recognized at the specific point in time when the wafers are delivered to the customer.

In the financial year 2023, for the first time, the Group is reporting revenues from wafer sales which are recognized over time. Revenue for wafer sales recognized over time represents the Group's rights to consideration for work completed but not invoiced at the reporting date on wafer sales under long-term contracts which meet the criteria for revenue recognition over time. The revenues from such contracts were not material in previous reporting periods. As described in note 7.13 below, in the financial year 2023 the Group has received prepayments from customers for future wafer sales and capacity reservation deposits in connection with such long-term contracts.

The Group has not recognized revenues of variable consideration from customers in respect of shortfalls of orders from customers, nor any incurred or anticipated contract penalties, or any downward revisions of revenues previously recognized in the financial year 2023 or 2022 as, at the current time, it is anticipated that all customer orders will be supplied to customers in full without any shortfalls. In addition, no revenue is recognized in the current year from performance obligations satisfied in prior years (e.g. changes in transaction price).

6.2 Cost of sales

The cost of sales comprises the following:

in thousands of U.S. dollars	2023	2022
Employee-related expenses	(221,766)	(192,228)
Cost of materials	(188,638)	(167,034)
Costs of fixed assets	(100,790)	(85,828)
Depreciation and amortization	(77,925)	(67,854)
Facility costs	(93,890)	(69,532)
External services	(10,058)	(9,095)
Changes in inventories	19,505	12,427
Grants	20,482	16,642
Other	4,346	(1,013)
Total	(648,734)	(563,515)

The increase in cost of sales of 15% corresponds with the increase in revenues of 23%.

Grants presented as a deduction from cost of sales represent the benefits of grants which offset the cost of manufacturing operations, and primarily represent grants received in earlier years to offset the cost of acquiring property, plant, and equipment.

6.3 Research and development expenses

Research and development expenses comprise the following:

in thousands of U.S. dollars	2023	2022
Employee-related expenses	(27,664)	(24,980)
Cost of materials	(10,944)	(9,923)
Costs of fixed assets (incl. maintenance software, etc.)	(3,920)	(4,019)
Depreciation and amortization	(1,837)	(1,586)
Facility costs	(1,111)	(869)
External services	(684)	(884)
Grants	6,872	5,643
Other	(7,903)	(4,185)
Total	(47,191)	(40,803)

Research and development expenses increased consistently with the increased sales volume in 2023. It is X-FAB's policy to maintain a consistent rate of research and development expenses in relation to revenue.

6.4 Selling expenses

The selling expenses comprise the following:

in thousands of U.S. dollars	2023	2022
Employee-related expenses	(8,069)	(7,447)
Advertising costs and costs of selling goods	(627)	(633)
External services	(198)	(139)
Facility costs	(164)	(143)
Depreciation and amortization	(106)	(103)
Other	701	286
Total	(8,463)	(8,179)

6.5 General and administrative expenses

The general and administrative expenses comprise the following:

in thousands of U.S. dollars	2023	2022
Employee-related expenses	(29,309)	(23,354)
External services	(6,790)	(5,946)
Depreciation and amortization	(3,450)	(3,033)
Costs of fixed assets (maintenance software, etc.)	(5,871)	(3,989)
Insurance, dues, and fees	(1,585)	(1,468)
Facility costs	(1,416)	(1,103)
Grants	23	444
Other	1,241	962
Total	(47,157)	(37,487)

Increases in employee-related expenses refer to increases in wages and salaries and to inflation compensation payments. Increases in software costs include costs for a change in ERP system.

6.6 Expenses by nature

In the income statement, expenditures are classified by function. Expenses include depreciation charges allocated to the following items:

in thousands of U.S. dollars	2023	2022
Included in cost of sales	(77,060)	(67,000)
Included in research and development expenses	(1,284)	(1,218)
Included in selling expenses	(106)	(103)
Included in general and administrative expenses	(2,038)	(1,692)
Included in expenses related to investment properties and other expenses	(1,649)	(1,612)
Total	(82,137)	(71,625)

Expenses include charges for amortization of intangible assets allocated to the following items:

in thousands of U.S. dollars	2023	2022
Included in cost of sales	(865)	(854)
Included in research and development expenses	(553)	(368)
Included in general and administrative expenses	(1,412)	(1,341)
Total	(2,830)	(2,563)

Employee-related expenses allocated according to function in the income statement consist of the following:

in thousands of U.S. dollars	2023	2022
Wages and salaries	(217,684)	(190,512)
Social security costs	(44,417)	(38,069)
Contributions to defined contribution plans	(13,028)	(11,445)
Other employee-related costs	(11,679)	(7,983)
Total	(286,808)	(248,009)

The increase in staff costs compared to the previous year is primarily due to the general increase in business activity.

Defined contribution plans primarily consist of contributions made under statutory schemes by employers to state-based defined contribution plans.

6.7 Rental income from investment properties

Rental income from investment properties comprises the following:

in thousands of U.S. dollars	2023	2022
Income from technical services provided	11,391	7,223
Income from investment property rentals	6,178	6,425
Total	17,569	13,648

Property rentals and technical services for tenants represent activities outside the X-FAB SE Group's core activities. Technical services mainly comprise the supply of power, water, cooling water, ultra-pure water, bulk gases, or compressed dry air.

6.8 Rental expenses related to investment properties

Expenses related to investment properties comprise the following:

in thousands of U.S. dollars	2023	2022
Expenses for technical services provided	(12,206)	(9,176)
Expenses for connection with investment property	(2,457)	(4,770)
Total	(14,663)	(13,946)

Expenses in connection with investment properties primarily relate to depreciation and building maintenance.

6.9 Other income

Other income comprises the following:

in thousands of U.S. dollars	2023	2022
Gains on disposals of property, plant, and equipment	3,595	3,899
Income from recharges	3,078	3,015
Governmental refunds for energy	942	–
Income from other admin services/cost sharing	757	527
Income from sales of materials	67	188
Other	968	547
Total	9,407	8,176

The income from recharges primarily results from charges for software maintenance costs to Melexis, a related party, included in the disclosures presented in note 12.

Gains on disposal of property, plant, and equipment in 2023 and 2022 primarily related to sales of technical machinery and equipment previously used by X-FAB France for technologies in operation in its predecessor business prior to it being acquired by the X-FAB Group.

6.10 Other expenses

Other expenses comprise the following:

in thousands of U.S. dollars	2023	2022
Settlement of a dispute	(5,095)	(36,811)
Expenses from recharges	(3,078)	(3,015)
Losses on disposal of property, plant, and equipment	(462)	(10)
Other	(947)	(87)
Total	(9,582)	(39,923)

Expenses incurred in 2023 to settle a dispute represent the costs incurred to settle a third-party liability claim for damages.

In 2022 the Group incurred costs to settle a trade dispute with a supplier consisting of payments for materials not purchased by the Group in breach of binding order commitments in the years 2019 and 2020 (USD 36,811 thousand), together with associated interest penalties (USD 12,624 thousand; refer to note 6.12) and legal costs (USD 1,271 thousand). The settlement was the result of a final and binding decision received under trade settlement arbitration proceedings.

The expenses from recharges primarily relate to costs in connection with recharges for software maintenance provided to related parties. Refer to note 12.

6.11 Finance income

Finance income comprises the following:

in thousands of U.S. dollars	2023	2022
Interest on financial assets measured at amortized cost:		
Interest on cash and cash equivalents	10,463	1,836
Other:		
Income from exchange rate differences	24,195	34,695
Total	34,658	36,531

Income from exchange rate differences is primarily due to currency exchange rate gains on cash balances denominated in Malaysian ringgit and euros and from the translation effects of euro-denominated loans and of euro-denominated cash. The net income (income less expense disclosed in note 6.12) from exchange rate differences increased to USD 109 thousand (2022: expense of USD 2,366 thousand).

6.12 Finance costs

Finance costs comprise the following:

in thousands of U.S. dollars	2023	2022
Interest on financial liabilities measured at amortized cost:		
Loans and borrowings	(12,173)	(6,619)
Other interest	(889)	(12,624)
Other:		
Expenses from exchange rate differences	(24,087)	(37,061)
Other	–	(500)
Total	(37,149)	(56,804)

Other interest of USD 12,624 thousand incurred in 2022 refers to an arbitration award as discussed in note 6.10.

Exchange rate expenses primarily result from the translation effects of euro-denominated loans and of Malaysian ringgit and euro-denominated cash.

In 2022, other items represent the write-down of a financial asset received in lieu of unpaid overdue trade receivables from a customer.

6.13 Income tax

Income taxes comprise German corporation and trade taxes (plus solidarity surcharge), Belgian corporation tax, French tax, and Malaysian tax on interest received. United States federal income taxes have not been incurred during the reporting period as no taxable income was generated in that country or sufficient tax losses were available to offset taxable income.

Belgium, the jurisdiction where the “ultimate parent entity” (i.e. X-FAB Silicon Foundries SE) of the X-FAB group is located, formally adopted the Pillar Two (Global Minimum Tax) legislation in December 2023, effective from 2024 onwards (i.e. for financial years starting on or after December 31, 2023).

However, as a result of the demerger that took place November 14, 2023 and applying the relevant scoping rules under the Pillar Two legislation, the X-FAB Group is not expected to fall in the scope of the Global Minimum Tax rules until the financial year beginning January 1, 2025.

Since the Pillar Two legislation was not yet applicable at the reporting date, the X-FAB group does not have exposure to additional current taxes as a consequence of the Pillar Two legislation. The Group has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes in accordance with the amendments to IAS 12 issued in May 2023.

Income taxes comprised the following:

in thousands of U.S. dollars	2023	2022
Current taxes:		
Actual income tax charge for the period	(8,243)	(6,420)
Adjustment of prior years' tax charges	(841)	(483)
	(9,084)	(6,903)
Deferred taxes	15,795	22,332
Total	6,711	15,429

The Belgian tax rate applicable for the Group's result was 25.00% in 2023 and 2022. The deferred tax assets and liabilities of the foreign subsidiaries are valued based on local tax rates. The Group's various German operations incur federal income taxes and local trade taxes which result in overall applicable tax rates of between 31.58% and 32.28%. The federal income tax rate applicable to the Group's earnings in the United States is 21.00%, the tax rate applicable on earnings in Malaysia amounts to 24.00%, and the tax rate applicable to X-FAB France is 25.00%.

The reconciliation of the theoretical tax charge based on the IFRS net income before tax is as follows for the years 2023 and 2022:

in thousands of U.S. dollars	2023	2022
Result before taxes	155,184	37,062
Theoretical tax at combined applicable Belgian tax rate	(38,796)	(9,266)
Recognition of previously unrecognized deferred tax on timing differences and tax losses	58,100	39,810
Current year losses for which no deferred tax asset is recognized	(16,971)	(13,463)
Adjustment of prior period tax liabilities recorded in the current period	(841)	(483)
Effect of tax-free income	3,106	1,206
Currency effects	4,498	(93)
Effect of permanent differences	81	(290)
Effect of non-deductible expenditures	(236)	(169)
Effect of changes in applicable tax rates enacted during the year	–	–
Effect of different tax rates applying to foreign operations	(1,470)	(1,889)
Differences which are only valid for special taxes	(760)	66
Income/(expense) for income taxes recognized in the consolidated statement of profit or loss	6,711	15,429

Previously unrecognized deferred tax on timing differences and tax losses results in deferred tax income as the Group recognizes deferred tax on timing differences and tax losses which are expected to be realized in the near future. As described below, the amount recognized in the statement of financial position is based on the Group's current business planning. The amount reported consists of deferred tax assets of USD 55,615 thousand recognized in the Group's Malaysian subsidiary at December 31, 2023 (December 31, 2022: USD 39,889 thousand), of USD 7,949 thousand (December 31, 2022: USD 16,041 thousand) recognized in the US subsidiary and of USD 20,518 thousand (December 31, 2022: USD 12,446 thousand). The income statement includes recognition of previously unrecognized deferred tax on timing differences and tax losses carried forward of USD 58,100 thousand (previous year: USD 42,966 thousand) based on the carrying value at the reporting date, less the amount recognized in the previous year, after the amount recognized in the previous year had been reduced by the assets utilized in the current year.

Current year losses for which no deferred tax asset is recognized primarily arose in the current and previous years at the Group's subsidiary in France.

Effects from tax-free income primarily relate to various tax-exempted items of X-FAB Sarawak, for example interest income, exchange rate gains, and gains from fixed asset sales.

Currency effects mainly relate to the effect of changes in exchange rates on tax carrying amounts denominated in euros in 2023 and 2022.

The deferred tax assets and liabilities arise from temporary differences and unused tax losses as follows:

in thousands of U.S. dollars	2023	2022
Deferred tax assets – unrecognized amounts		
On unused tax losses	211,209	198,038
On temporary differences		
Property, plant, and equipment/capital	220,397	239,582
Other temporary differences	5,807	6,107
Total unrecognized deferred tax assets	437,413	443,727
Deferred tax assets – recognized amounts		
On unused tax losses	34,976	39,313
On temporary differences		
Property, plant, and equipment/capital	51,505	33,709
Other temporary differences	(2,709)	(5,045)
Total recognized deferred tax assets	83,772	67,977

X-FAB SE Group recognizes deferred tax assets resulting from temporary differences and from unused tax losses which exceed the deferred tax liabilities only to the extent that, on the basis of the Group's business planning, the realization of these assets is assessed as probable. This assessment involves a review by management of profits and losses expected in the business plan and limiting recognition of the future tax benefits to take account of potential variances against the business plan. Accordingly, recognized and unrecognized deferred tax assets are subject to estimation uncertainty, and there is a significant risk that the carrying amounts will require adjustment in subsequent periods. The estimates are, in particular, subject to the estimation uncertainties inherent in business planning which affect the likely utilization of unused tax losses and subject to potential changes in exchange rates which affect the size of timing differences.

Unrecognized temporary differences on property, plant, and equipment and other timing differences which can be used to offset future taxable income mainly relate to an investment tax allowance of the Group's Malaysian subsidiary.

More specifically, for the assessment of future available taxable profit a risk-adjusted profits approach was applied to the forecasts included in the Group's business planning. This method was applied to reflect the risk that

actual taxable profits will fall short of the expectations. The Board has determined that adjusting the expected future taxable profits for this component by using a risk factor is appropriate considering the inherent risk in the semiconductor market and the specific exchange rate volatility risks which affect the assessment. In addition, the Board has determined that taxable income as from 2027 does not meet the "probable" threshold as required under IFRS standards and is not taken into account for the determination of the amount of deferred tax assets to be recognized.

In particular, tax legislation in the jurisdictions in which the Group operates provides for the full or partial cancellation of unused tax losses on the occurrence of significant changes in the direct or indirect equity ownership of the taxable entity. Accordingly, there is a risk that recognized and unrecognized deferred tax assets may not be realized should such transactions occur in the future.

X-FAB SE and its subsidiaries have unused corporation tax losses as follows:

in thousands of U.S. dollars	2023	2022
Belgian tax loss carry forward	2,702	–
German corporation tax loss carry forward	128,606	141,136
German trade tax loss carry forward	163,885	180,007
U.S. federal tax loss carry forward	151,883	169,241
U.S. state tax loss carry	22,291	39,650
Malaysian tax loss carry forward	327,678	341,789
French tax loss carry forward	357,084	271,274

The Group's French and German tax losses can be carried forward indefinitely, whereby in France and Germany there are restrictions on the amounts that can be utilized in any specific year. U.S. federal tax losses for years prior to 2018 expire, if unused, after a period of 20 years. U.S. federal tax losses of USD 28.5 million expired in 2023 (2022: USD 4.8 million). The Group estimates that further U.S. federal tax losses of USD 27.8 million will expire in the year 2024 unless utilized. Unabsorbed Malaysian business losses expire after a period of seven years. The unused tax losses changed as a result of tax losses in the year, tax losses offset in the year, and, in addition, changes in currency exchange rates. Insignificant changes resulted from changes in estimates between the dates of preparation of the previous year's consolidated financial statements and the finalization of the tax returns and tax assessments of individual entities.

Significant deferred tax balances arise in respect of tax losses carried forward and on timing differences on property, plant, and equipment. A summary of the movements is presented in the table below. Deferred tax balances on other balance sheet positions are presented on a combined basis for this purpose.

in thousands of U.S. dollars	Tax losses carried forward	Property, plant, and equipment	Other temporary differences	Total
Balance at January 1, 2022	18,833	31,341	(4,529)	45,645
Recognized in profit and loss	20,480	2,368	(516)	22,332
Recognized in other comprehensive income	–	–	–	–
Balance at December 31, 2022	39,313	33,709	(5,045)	67,977
Set off of tax	–	1,141	(1,141)	–
Net balance at December 31, 2022	39,313	34,850	(6,186)	67,977
Balance at January 1, 2023	39,313	33,709	(5,045)	67,977
Recognized in profit and loss	(4,337)	17,796	2,336	15,795
Recognized in other comprehensive income	–	–	–	–
Balance at December 31, 2023	34,976	51,505	(2,709)	83,772
Set off of tax	–	1,215	(1,215)	–
Net balance at December 31, 2023	34,976	52,720	(3,924)	83,772

Changes in recognized deferred tax assets resulted in a deferred tax income of USD 15,795 thousand (2022: income of USD 22,332 thousand). The increase in previously unrecognized deferred tax assets on property, plant, and equipment and other timing differences recognized in 2023 compared to 2022 is due to a higher than previously anticipated level of taxable income generated from current and future planned operating results at the Group's subsidiaries. This has generated an increase in deferred tax assets in timing differences available for offsetting against taxable income in future periods.

No income tax expenses or income have been recorded on items recorded within other comprehensive income (previous year: none).

6.14 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 statement of profit or loss and other comprehensive income) by the weighted average number of shares in issue during the period.

The weighted average number of ordinary shares is identical to the number of ordinary shares in issue during the years ended December 31, 2023, and December 31, 2022.

No instruments with a potential diluting effect on shareholders' equity have been in issue during the years ended December 31, 2023, and December 31, 2022. Accordingly, there is no potential dilution of the profit attributable to equity shareholders and no difference between basic and diluted earnings per share.

7 Notes to the statement of financial position

7.1 Property, plant, equipment, and investment properties

in thousands of U.S. dollars	Land	Buildings	Technical machinery and equipment	Factory and office equipment	Assets under construction	Total
Net book value January 1, 2023	14,080	35,029	235,678	6,619	168,720	460,126
Accumulated historical cost January 1, 2023	14,292	112,027	1,175,354	33,288	168,720	1,503,681
Additions	15	2,147	60,105	2,610	291,619	356,496
Disposals	–	–	(5,454)	(1,685)	–	(7,139)
Reclassifications	–	15,431	95,982	1,903	(113,416)	(100)
Effect of changes in exchange rates	–	–	–	(182)	–	(182)
Accumulated historical cost December 31, 2023	14,307	129,605	1,325,987	35,934	346,923	1,852,756
Accumulated depreciation January 1, 2023	(212)	(76,998)	(939,676)	(26,669)	–	(1,043,555)
Additions	(30)	(3,826)	(74,129)	(3,649)	–	(81,634)
Disposals	–	–	5,266	1,513	–	6,779
Reclassifications	–	–	–	–	–	–
Effect of changes in exchange rates	–	–	–	142	–	142
Accumulated depreciation December 31, 2023	(242)	(80,824)	(1,008,539)	(28,663)	–	(1,118,268)
Net book value December 31, 2023	14,065	48,781	317,448	7,271	346,923	734,488
Net book value January 1, 2022	14,110	37,843	209,401	5,816	73,500	340,670
Accumulated historical cost January 1, 2022	14,292	111,273	1,095,858	31,408	73,500	1,326,331
Additions	–	88	28,738	2,266	159,463	190,555
Disposals	–	–	(11,275)	(1,943)	–	(13,218)
Reclassifications	–	666	62,033	1,530	(64,243)	(14)
Effect of changes in exchange rates	–	–	–	27	–	27
Accumulated historical cost December 31, 2022	14,292	112,027	1,175,354	33,288	168,720	1,503,681
Accumulated depreciation January 1, 2022	(182)	(73,430)	(886,457)	(25,592)	–	(985,661)
Additions	(30)	(3,568)	(64,419)	(2,973)	–	(70,990)
Disposals	–	–	11,200	1,889	–	13,089
Reclassifications	–	–	–	23	–	23
Effect of changes in exchange rates	–	–	–	(16)	–	(16)
Accumulated depreciation December 31, 2022	(212)	(76,998)	(939,676)	(26,669)	–	(1,043,555)
Net book value December 31, 2022	14,080	35,029	235,678	6,619	168,720	460,126

Property, plant, and equipment

Additions in technical machinery and equipment and additions in assets under construction mainly refer to capital investments in technical machinery in X-FAB France (USD 104 million, 2022: USD 58 million), X-FAB Sarawak (USD 145 million, 2022: USD 58 million), X-FAB Texas (USD 68 million, 2022: USD 41 million), X-FAB Erfurt (USD 6 million, 2022: USD 6 million), X-FAB Dresden (USD 24 million, 2022: USD 18 million), X-FAB MEMS Foundry Itzehoe (USD 4 million, 2022: USD 1 million), and X-FAB MEMS Foundry (USD 5 million, 2022: USD 7 million). Assets under construction primarily include investments in technical machinery. Additions in property, plant, and equipment resulted in cash outflows in 2023 of USD 337,789 thousand (2022: USD 180,580 thousand). Refer to the statement of cash flows.

The Group has not received investment grants related to the acquisition of qualifying assets (2022: USD 945 thousand).

No impairment tests were performed in the financial year ended December 31, 2023 as there were no triggering events that would have required impairment tests to be performed.

Accumulated historical costs have been reduced by investment grants received of USD 137,573 thousand (December 31, 2022: USD 137,517 thousand) and accumulated depreciation has been reduced by USD 129,066 thousand (December 31, 2022: USD 126,149 thousand).

At December 31, 2023, property, plant, and equipment with a book value of USD 17 million (December 31, 2022: USD 23 million) had been provided as collateral security to third-party lenders. The carrying values of technical machinery and equipment include USD 17.6 million (December 31, 2022: USD 21.4 million) which are not owned by the Group but which are held under leasing arrangements as disclosed in note 11.

Investment properties

Investment properties consist of properties let to third parties by X-FAB GmbH, X-FAB Dresden, X-FAB Texas, and X-FAB France. The lease arrangements, the majority of which expire at various dates until 2024, continue after expiry unless canceled by either party within notice periods of between one month and six months.

Investment properties are accounted for at purchase cost less straight-line depreciation. The book and fair values of these properties at the reporting date were as follows:

in thousands of U.S. dollars	2023	2022
Net book value, beginning of period	7,674	8,309
Additions	–	–
Depreciation	(503)	(635)
Disposals	–	–
Reclassifications	–	–
Net book value, end of period	7,171	7,674
Accumulated cost	33,647	33,647
Accumulated depreciation	(26,476)	(25,974)
Fair value	34,714	32,845

Properties are reclassified between the land and buildings and investment properties classifications when there is a change in the use of the property (for example, when a property previously used by the Group is let to third parties or the Group uses a property previously let to third parties).

Additions to investment properties represents work capitalized on the Group's existing investment properties.

The fair values of the investment properties relate to properties in Germany (December 31, 2023: USD 17,439 thousand; December 31, 2022: 17,025 thousand), the USA (December 31, 2023: USD 2,081 thousand; December 31, 2022: 1,698 thousand), and France (December 31, 2023: USD 14,617 thousand; December 31, 2022: 14,122 thousand). The fair value measurements of the investment properties have been categorized as a Level 3 fair value based on the inputs to the valuation techniques used. The valuations disclosed of the Group's investment properties are updated annually. In the U.S. and in France the valuations were performed by independent third-party experts with the appropriate professional qualifications and the necessary expertise in the location and category of property. In Germany they are performed by the management of X-FAB SE Group, calculated on the basis of discounted future cash flows, and discounting future rents at a rate of 6.0% (December 31, 2022: 4.0%). The valuation model takes into account the rent per square meter, expected rental growth rates, other costs, and the maturity of the contracts.

No impairment charges were recorded against investment properties in 2023 or 2022.

The following table sets out a maturity analysis of lease payments which will be received in respect of investment properties, showing the undiscounted lease payments to be received after the reporting date.

in thousands of U.S. dollars	2023	2022
2023		5,017
2024	5,835	5,630
2025	5,796	1,797
2026	2,513	1,797
2027	2,091	1,371
2028	1,125	–
Total	17,360	15,612

7.2 Intangible assets

The movements on intangible assets were as follows:

in thousands of U.S. dollars	Licenses	Payments on account	Total
Net book value January 1, 2023	4,381	1,818	6,199
Accumulated historical cost January 1, 2023	61,556	1,818	63,374
Additions	760	1,398	2,158
Disposals	(73)	–	(73)
Reclassifications	1,694	(1,594)	100
Effect of changes in exchange rates	–	–	–
Accumulated historical cost December 31, 2023	63,937	1,622	65,559
Accumulated amortization January 1, 2023	(57,175)	–	(57,175)
Additions	(2,830)	–	(2,830)
Disposals	73	–	73
Accumulated amortization December 31, 2023	(59,932)	–	(59,932)
Net book value December 31, 2023	4,005	1,622	5,627
Net book value January 1, 2022	2,656	1,378	4,034
Accumulated historical cost January 1, 2022	71,374	1,378	72,752
Additions	2,314	2,335	4,649
Disposals	(14,106)	–	(14,106)
Reclassifications	1,888	(1,895)	(7)
Effect of changes in exchange rates	86	–	86
Accumulated historical cost December 31, 2022	61,556	1,818	63,374
Accumulated amortization January 1, 2022	(68,718)	–	(68,718)
Additions	(2,563)	–	(2,563)
Disposals	14,106	–	14,106
Accumulated amortization December 31, 2022	(57,175)	–	(57,175)
Net book value December 31, 2022	4,381	1,818	6,199

Disposals refer to software licenses from which the Group obtains no further benefit.

Intangible assets in the statement of financial position do not include any capitalized costs of internally generated assets. Payments on account refer to advance and milestone payments made for the acquisition of software licenses and the customization of such software in a project not yet fully completed. Refer to note 4.9.

No impairment against the carrying values of payments on account was recorded in 2023 or 2022.

7.3 Inventories

Inventories comprise the following:

in thousands of U.S. dollars	2023	2022
Materials and supplies	163,949	124,760
Work in progress	105,765	95,383
Finished goods	6,749	3,723
Merchandise	6	6
Write-downs	(7,242)	(9,437)
Total	269,227	214,435

Changes in work in progress and finished goods totaling USD 20,244 thousand were included in cost of sales in 2023 (2022: USD 14,824 thousand). Write-downs are recorded against inventories and recognized as an expense in cost of sales in the period of USD 739 thousand (2022: USD 2,397 thousand). There have not been any reversals of write-downs. Inventories wholly represent amounts which are expected to be realized within 12 months.

Inventories for the manufacture of wafers under contracts for which sales are recognized over time are not recognized in work in process; instead they are recorded as an expense within cost of sales with the associated rights to consideration for work completed but not invoiced at the reporting date recognized within contract assets (note 7.4 below).

7.4 Contract assets

Contract assets relate to the Group's rights to consideration for work completed but not invoiced at the reporting date on wafer sales recognized over time. No impairment charges have been recognized on contract assets. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

7.5 Trade and other receivables

Trade receivables and other receivables comprise the following:

in thousands of U.S. dollars	2023	2022
Trade accounts receivable	121,646	43,989
Amounts due from related party entities	2,774	30,214
Allowances	(1,319)	(1,087)
Total	123,101	73,116

The increase in trade accounts receivable and corresponding decrease in amounts due from related party entities is largely due to the reclassification of amounts receivable from entities which were classified as related parties until November 14, 2023 (refer to note 12).

Trade receivables are generally on 30 to 90-day terms and are non-interest bearing. They are classified as financial assets at amortized cost for financial reporting purposes. Under consideration of allowances made, the fair values of trade receivables approximate their carrying amount. The amounts due from related parties are in respect of trade accounts receivable balances.

As at December 31, the aging analysis of trade accounts receivables (third parties, net of allowances) is as follows:

in thousands of U.S. dollars	2023	2022
Neither past due nor impaired	83,269	31,463
Past due 1-30 days	24,149	9,207
Past due 31-60 days	941	1,592
Past due 61-360 days	11,968	640
Past due >360 days	–	–
Total	120,327	42,902

The Group measures the expected credit losses of trade receivables by using an allowance matrix to measure the expected losses on trade receivable balances, including those with related parties. The allowances are based on the number of days each balance is overdue. The assessment of expected losses on trade receivable balances that are not impaired is based on past experience of credit losses, which the Group considers to be a reasonable approximation of the losses that can be expected in future periods since there are no indications that there will be significant changes in the industry going forward. An analysis of receivables by geographic region or by type of customer is not made since X-FAB mainly deals with global customers and hence there is no significant difference in risks between the geographic regions where X-FAB is active or the type of customers served by X-FAB. The amount of trade receivables due from related parties is disclosed separately from trade receivables in the table above and in the related party disclosures in note 12 below.

In addition, X-FAB recorded several additional allowances on individual case-by-case assessments for credit-impaired balances.

The following tables provide information on the exposure to credit risk and the loss allowances made for balances which are not credit impaired as at December 31, 2023, and December 31, 2022:

December 31, 2023			
in thousands of U.S. dollars	Weighted average loss rate	Gross carrying amount	Loss allowance
Neither past due nor impaired	0.08 %	94,756	(76)
Past due 1-30	0.08 %	24,149	(19)
Past due 31-60 days	1.50 %	941	(14)
Past due 61-90 days	3.75 %	869	(33)
More than 90 days past due (less credit impaired)	9.75 %	2,386	(233)
Total		123,101	(375)

December 31, 2022			
in thousands of U.S. dollars	Weighted average loss rate	Gross carrying amount	Loss allowance
Neither past due nor impaired	0.08 %	61,589	(49)
Past due 1–30 days	0.08 %	8,917	(7)
Past due 31–60 days	1.50 %	1,388	(21)
Past due 61–90 days	3.75 %	264	(10)
More than 90 days past due (less credit impaired)	9.75 %	958	(93)
Total		73,116	(180)

in thousands of U.S. dollars	2023	2022
Balance at January 1	(1,087)	(1,028)
Impairment loss recognized	(4)	(58)
Use of allowance	(33)	2
Reversal of allowance	–	27
Net remeasurement of loss allowance	(195)	(30)
Balance at December 31	(1,319)	(1,087)

There are no balances which were written off during the period and which continue to be the subject of collection processes.

7.6 Other assets

Other assets comprise the following:

in thousands of U.S. dollars	2023	2022
Other assets	50,064	55,768
Other non-current assets	58	79
Total	50,122	55,847

Current other assets comprise the following:

in thousands of U.S. dollars	2023	2022
R&D grants receivable	25,188	22,537
Prepaid expenses	13,072	20,700
Receivables from energy surcharges	5,116	4,872
Taxes (other)	5,658	5,676
Investment grants and subsidies receivable	–	1,170
Deposits	543	535
Other	487	278
Total	50,064	55,768

Research and development grants receivable in 2023 include USD 10,343 thousand research and development tax credits and competitiveness and employment tax credits attributable to X-FAB France (December 31, 2022: USD 20,194 thousand).

Research and development tax credits and competitiveness and employment tax credits attributable to X-FAB France totaling USD 8,510 thousand (2022: USD 8,227 thousand) were sold without recourse to a bank in 2023. The carrying amounts of the credits sold generated cash inflows of USD 7,639 thousand (2022: USD 7,245 thousand) net of USD 871 thousand representing interest expenses and fees (2022: USD 982 thousand). On initial recognition, X-FAB France presents the grant receivables as a reduction of cost of sales and research and development expenses, consistent with the Group's general presentation of subsidized expenses. The sales accelerate the cash inflows from tax credits; in the normal course of events where the credits are not sold they can be offset against income tax payable by X-FAB France or will be paid to X-FAB France at a subsequent date if there is no income tax to be paid. Due to the sale, these repayments will be received by the bank directly. There are no remaining ongoing obligations to be fulfilled by X-FAB France in respect of the tax credits and the credits have been derecognized and the amounts received by the bank have been recognized as cash and cash equivalents.

Prepaid expenses refer to prepayments made for raw materials.

The deposits mainly represent security deposits provided as collateral security and are classified as current assets as they are either in connection with contractual arrangements which may be canceled at short notice or are expected to be released within 12 months on other grounds.

7.7 Cash and cash equivalents

Cash and cash equivalents comprise the following:

in thousands of U.S. dollars	2023	2022
Cash and bank balances	157,545	367,221
Restricted cash	4,018	–
Term deposits	244,138	2,204
Total	405,701	369,425

Term deposits and some cash at bank balances earn interest at floating rates based on daily bank deposit rates. Restricted cash refers to pledged cash against bank guarantee facilities for electricity charges and custom clearance charges in X-FAB Sarawak. The fair values of cash and short-term deposits are identical to the carrying amounts.

7.8 Equity

Share capital

X-FAB Silicon Foundries SE had 130,781,669 fully paid-in ordinary shares in issue at December 31, 2023, and December 31, 2022. Each share carries one vote at the Company's general meetings. There are no unissued shares authorized for issue.

Share premium

The share premium of X-FAB Silicon Foundries SE represents the excess of paid-in capital for shares at the time of their issue over the fractional value of the shares.

Retained earnings

Retained earnings represent the accumulated profits and losses of the Group together with the accumulated balance of the remeasurement of the Group's defined benefit post-employment benefit plans.

Other comprehensive income includes an amount of USD 2,287 thousand to record the accumulated effect of wafer sales recognized over time at the beginning of the reporting period.

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 December 31, 2023 the Group held 149,748 treasury shares 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, the treasury shares reduced the equity capital of the parent company by USD 770 thousand (December 31, 2022: USD 770 thousand).

Share-based payment arrangements

The Group had no share-based payment arrangements and no share option programs during the years ended December 31, 2023, or December 31, 2022.

Authorization to acquire treasury shares

In accordance with the Belgian Companies and Associations Code, the Articles of Association permit the Company to acquire, on or outside the stock market, its own shares, profit-sharing certificates or associated certificates by resolution approved by the shareholders' meeting by a majority of at least 75% of the votes cast where at least 50% of the share capital and at least 50% of the profit certificates, if any, are present or represented. Prior approval by the shareholders is not required if the Company purchases the shares in order to offer them to the Company's employees.

The shares, profit-sharing certificates, or associated certificates can only be acquired with funds that would otherwise be available for distribution as dividend. The total nominal value or fractional value of the shares,

profit-sharing certificates, or associated certificates held by the Company can at no time be more than 20% of the share capital. Voting rights attached to shares held by the Company as treasury shares are suspended.

On April 28, 2022, an extraordinary shareholders' meeting authorized the Board of Directors to purchase up to 20% of the outstanding shares, for a price not lower than 10% below the lowest closing price in the last 30 trading days preceding the transaction and not more than 5% above the highest closing price during the last 30 trading days preceding the transaction. This authorization is valid for five years from April 28, 2022.

The above authorization is also valid if the acquisition was made by one of the subsidiaries directly controlled by the Company, as set out in Article 5 SE Regulation juncto Article 7:221 of the Belgian Companies and Associations Code.

The Board of Directors is authorized to divest all or part of the shares, profit-sharing certificates, or associated certificates at a price it determines, on or outside the stock market or in the framework of its remuneration policy to employees, directors, or consultants of the Company, or to prevent any serious and imminent harm to the Company. This authorization is valid without any restriction in time, except when the divestment is made to prevent serious and imminent harm to the Company, in which case the authorization is only valid for three years as from the date of the publication of the authorization in the Annexes to the Belgian State Gazette (Belgisch Staatsblad/Moniteur belge) (i.e. May 2, 2022). The authorization covers the divestment of the shares, profit-sharing certificates, or associated certificates by a direct subsidiary of the Company, as set out in Article 5 SE Regulation juncto Article 7:221 of the Belgian Companies and Associations Code.

7.9 Dividends

No dividends were resolved or paid in the years 2023 or 2022.

Under Belgian company law, 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 certain conditions set forth in Belgian company law are met.

7.10 Non-controlling interests

Non-controlling interests in the previous year represented a 5.1% interest in the subsidiary GVG which was held by external shareholders until its acquisition by the X-FAB Group on September 1, 2022.

GVG, which has subsequently been merged into a wholly owned Group subsidiary, was a property management company responsible for the administration of certain of the Group's properties in Dresden, Germany. GVG's net profit for the financial year 2022 until the date on which the non-controlling interests were acquired amounted to USD 595 thousand. At the date on which the non-controlling interests were acquired GVG had total assets amounting to USD 8,777 thousand, liabilities of USD 3,996 thousand, and equity of USD 4,781 thousand. The purchase price paid to acquire the non-controlling interest amounted to USD 204 thousand and was paid in cash. As GVG was already controlled by the X-FAB Group, the purchase of additional shares in the subsidiary (so reducing NCI) did not result in the recognition goodwill or other adjustments to the initial accounting for the consolidation of the entity and the transaction was wholly recognized within equity as a transaction with owners of the entity. The currency translation effect of the retranslation of non-controlling interests in GVG is not material to the movements on other comprehensive income or the statement of changes in equity.

7.11 Loans and borrowings

The Group has unused credit lines available under bank loan facilities as follows:

in thousands of U.S. dollars	2023	2022
Unused credit lines		
Unused part of multicurrency revolving credit facility denominated in EUR or in USD – variable rates	19,000	2,000
Interest rate USD: SOFR +1.25%		
Interest rate EUR: EURIBOR +1.0%		
Unused credit lines denominated in EUR – fixed rates	7,735	7,473
Interest rate: 6.47–6.51%		
Other unused credit lines denominated in EUR – variable rates	2,210	2,135
Interest rates: EURIBOR +2.5%		

The carrying amounts of the Group's loans and borrowings at December 31 are shown in the following table:

in thousands of U.S. dollars	2023	2022
Bank loans and overdrafts		
Variable interest bank overdrafts in EUR		
Maturity: 2023	–	2
Interest rates: EURIBOR + 2.5%		
Fixed interest bank loans denominated in EUR	47,373	67,380
Maturity: 2024–2029		
Interest rates: 0.85–2.3%		
Repayments in monthly or quarterly installments		
Fixed interest bank loans denominated in USD	405	–
Maturity: 2028		
Interest rates: 8.25–8.5%		
Repayments in monthly installments/on maturity		
Variable interest revolving credit facility denominated in USD	99,876	138,998
Maturity: 2024		
Interest rates: SOFR + 1.67%		
Repayment on maturity		
Variable interest revolving credit facility denominated in EUR	91,715	64,056
Maturity: 2024		
Interest rates: EURIBOR + 1.0%		
Repayment on maturity		
Leasing arrangements		
Leasing liabilities denominated in EUR	11,230	13,467
Maturity: 2024–2034		
Interest rates: 0.15–3.57%		
Repayment in monthly installments		
Leasing liabilities denominated in USD	6,526	7,018
Maturity: 2024–2034		
Interest rates: 3.32%		
Repayment in monthly installments		
Leasing liabilities denominated in MYR	3,852	6,024
Maturity: 2024–2025		
Interest rates: 4.66%		
Repayment in monthly installments		
Total	260,977	296,945
Current loans and borrowings	218,316	233,513
Non-current loans and borrowings	42,661	63,432

Variable interest bank loans include loans amounting to USD 98,000 thousand and EUR 83,000 thousand (December 31, 2022: USD 138,000 thousand and EUR 60,000 thousand) under the EUR 200,000,000 multicurrency revolving facility agreement (“the facility”) entered into between the parent company and its principal subsidiaries and a syndicate of eight international banks on December 1, 2021. The credit facility is for a five-year period until December 2026, with an option for X-FAB to request an extension of the facility’s maturity date until December 2027. The option is exercisable not earlier than 90 days prior to and not 45 days later than prior to the initial termination date of November 30, 2026.

Borrowings under the facility are reported as current liabilities as, at the reporting date the Group does not expect to refinance or roll over these obligations for at least 12 months after the reporting date under the existing loan facility.

The movements on loans and borrowing include exchange rate losses of USD 4,415 thousand resulting from the translation of euro-denominated loans and borrowings (2022: exchange rate gains of USD 1,151 thousand).

The fair values of the Group’s loans and borrowings are presented in note 10.

Approximately 27% of the Group’s borrowings are at a fixed rate of interest (December 31, 2022: 32%). Refer to note 10. Bank loans and overdrafts of USD 10,298

thousand (2022: USD 18,548 thousand) are secured by charges on plant and machinery and land (see note 7.1).

Contractual maturities

The contractual maturities of the Group’s non-derivative financial liabilities (including lease liabilities) at December 31, 2023, and December 31, 2022, are shown in the table below. The amounts presented in the table are undiscounted and do not include interest as most of the liabilities are linked to credit facilities for which interest can fluctuate over time depending on the level of the used part of these facilities:

in thousands of U.S. dollars	2023	2022
2023		230,414
2024	215,469	22,440
2025	19,484	18,965
2026	13,853	13,472
2027	2,860	2,860
2028-2034	9,311	8,794
Total	260,977	296,945

The Group is exposed to a liquidity risk in that the maturity of bank loan agreements, which are presented based on the contractual payment obligations, could be brought forward should the Group fail to comply with its contractual obligations under the bank loan agreements.

The following table provides a reconciliation of the movements in liabilities to the cash flows arising from financing activities for the year 2023:

in thousands of U.S. dollars	Liabilities		Equity				
	Loans and borrowings	Lease liability	Share capital	Share premium	Retained earnings	NCI	Total
Balance at December 31, 2022	270,434	26,509	432,745	348,709	16,508	–	1,094,905
Changes from financing cash flows							
Proceeds from loans and borrowings	205,784	–	–	–	–	–	205,784
Repayment of loans and borrowings	(241,806)	–	–	–	–	–	(241,806)
Repayment of loans and borrowings from related parties	–	–	–	–	–	–	–
Receipts from sale and leaseback arrangements	–	–	–	–	–	–	–
Payments of lease liabilities	–	(5,512)	–	–	–	–	(5,512)
Interest paid	(11,630)	–	–	–	–	–	(11,630)
Payment of preference dividend	–	–	–	–	–	–	–
Distribution to non-controlling interests	–	–	–	–	–	–	–
Receipt of investment government grants and subsidies	–	–	–	–	–	–	–
Total changes from financing cash flows	(47,652)	(5,512)	–	–	–	–	(53,164)
Other changes							
Effect of changes in foreign exchange rates	4,414	23	–	–	–	–	4,437
Liability related							
New leases in prior year, funds received in current year	–	–	–	–	–	–	–
Prolongation of existing lease contracts	–	588	–	–	–	–	588
Interest expenses	12,173	–	–	–	–	–	12,173
Gain on derecognition of financial liability	–	–	–	–	–	–	–
Equity related	–	–	–	–	163,650	–	163,650
Total liability-related other changes	12,173	588	–	–	–	–	12,761
Total equity-related other changes	–	–	–	–	163,650	–	163,650
Balance at December 31, 2023	239,369	21,608	432,745	348,709	180,158	–	1,222,589

The following table provides a reconciliation of the movements in liabilities to the cash flows arising from financing activities for the year 2022:

in thousands of U.S. dollars	Liabilities		Equity				
	Loans and borrowings	Lease liability	Share capital	Share premium	Retained earnings	NCI	Total
Balance at December 31, 2021	96,773	30,257	432,745	348,709	(36,155)	365	872,694
Changes from financing cash flows							
Proceeds from loans and borrowings	184,272	–	–	–	–	–	184,272
Repayment of loans and borrowings	(11,420)	–	–	–	–	–	(11,420)
Repayment of loans and borrowings from related parties	–	–	–	–	–	–	–
Receipts from sale and leaseback arrangements	–	7,723	–	–	–	–	7,723
Payments of lease liabilities	–	(5,662)	–	–	–	–	(5,662)
Interest paid	(5,188)	–	–	–	–	–	(5,188)
Payment of preference dividend	–	–	–	–	–	–	–
Distribution to non-controlling interests	–	–	–	–	–	(11)	(11)
Receipt of investment government grants and subsidies	–	–	–	–	–	–	–
Total changes from financing cash flows	167,664	2,061	–	–	–	(11)	169,714
Other changes							
Effect of changes in foreign exchange rates	(622)	(543)	–	–	–	–	(1,165)
Liability related							
New leases in prior year, funds received in current year	–	(7,190)	–	–	–	–	(7,190)
Prolongation of existing lease contracts	–	1,924	–	–	–	–	1,924
Interest expenses	6,619	–	–	–	–	–	6,619
Gain on derecognition of financial liability	–	–	–	–	–	–	(6,563)
Equity related	–	–	–	–	52,663	–	52,663
Total liability-related other changes	6,619	(5,266)	–	–	–	–	1,353
Total equity-related other changes	–	–	–	–	52,663	(354)	52,309
Balance at December 31, 2022	270,434	26,509	432,745	348,709	16,508	–	1,094,905

7.12 Other non-current liabilities

Other non-current liabilities primarily comprise defined benefit pension obligations and deferred rental income.

Other non-current liabilities include an amount of USD 3,967 thousand at December 31, 2023 (December 31, 2022: USD 3,967 thousand), representing the net defined benefit obligations under a long-service retirement lump-sum payment scheme at the Group's subsidiary X-FAB France. An additional USD 730 thousand (December 31, 2022: USD 546 thousand) of defined benefit obligations relating to this plan are recorded as other current liabilities. The net defined benefit obligation consists of defined benefit obligations under the scheme of USD 9,057 thousand (December 31, 2022: USD 8,547 thousand) less plan assets recorded at their fair values of USD 4,360 thousand (December 31, 2022: USD 4,034 thousand). Under this scheme, X-FAB France awards its employees a lump-sum payment on reaching retirement age of 65 (for management employees) and 62 (for other employees). The payment is

dependent on the final salary of the employee and the length of time the employee has been employed by X-FAB France. Employees are not required to contribute to the plan. The liability recognized for the future defined benefit obligation under this scheme is presented net of the funding plan assets which are "ring fenced" to meet obligations under the scheme. The plan assets at December 31, 2023 consist of investments in a fund that is managed by a financial institution of which the underlying assets relate to long-term bonds with capital guarantees of USD 1,969 thousand at December 31, 2023 (December 31, 2022: USD 1,844 thousand) and equity savings plans with a value of USD 2,391 thousand at December 31, 2023 (December 31, 2022: USD 2,189 thousand). Accordingly, there are risks typical of such defined benefit obligations, i.e. actuarial risks associated with the uncertainties of the estimated obligations under the scheme and with the anticipated performance of the investment assets held to offset the obligations under the scheme.

in thousands of U.S. dollars	DBO	Fair value of plan assets	Net defined benefit liability
January 1, 2023	8,547	(4,034)	4,513
Included in profit or loss:			
Current service cost	674	–	674
Past service cost/curtailment	–	–	–
Currency effects from conversion into USD	304	(282)	22
Included in OCI:			
Return on plan assets	–	(44)	(44)
Actuarial losses	577	–	577
Other:			
Contributions paid by the employer	(1,045)	–	(1,045)
Benefits paid	–	–	–
December 31, 2023	9,057	(4,360)	4,697
January 1, 2022	9,974	(4,354)	5,620
Included in profit or loss:			
Current service cost	484	–	484
Past service cost	–	–	–
Currency effects from conversion into USD	(563)	431	(132)
Included in OCI:			
Return on plan assets	–	(111)	(111)
Actuarial losses	(295)	–	(295)
Other:			
Contributions paid by the employer	–	–	–
Benefits paid	(1,053)	–	(1,053)
December 31, 2022	8,547	(4,034)	4,513

The primary assumptions made in calculating the defined benefit obligation were as follows:

in thousands of U.S. dollars	2023	2022
Discount rate	3.18%	3.36%
Employee turnover	5.00%	5.00%
Social security costs	47.00%	47.00%

The discount rate used is calculated by reference to marked yields on high quality corporate bonds. Future salary growth is assumed to be 1.0% higher than inflation (December 31, 2022: 1.0%). Assumptions regarding future mortality have been based on published statistics and mortality tables.

The Group expects to pay no contributions to the funding plan in 2024.

Reasonably possible changes at December 31, 2023, and December 31, 2022, to one of the actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation changing the discounted amounts of the net liability by the amounts shown below:

in thousands of U.S. dollars	Increase at Dec. 31, 2023	Decrease at Dec. 31, 2023	Increase at Dec. 31, 2022	Decrease at Dec. 31, 2022
Discount rate (+0.25% movement)		153	–	124
Future salary growth (+0.25% movement)	163		132	–

The defined benefit obligation is not materially sensitive to a reasonable potential change in the assumed mortality rate.

7.13 Trade payables and other current liabilities

Trade payables are non-interest bearing and are normally settled on 60-day terms. Trade payables increased from USD 53,654 thousand at December 31, 2022, to USD 90,681 thousand at December 31, 2023. This increase was influenced by the general increase of business and increases in investments in property, plant, and equipment.

Other current liabilities comprise the following:

in thousands of U.S. dollars	2023	2022
Accrued liabilities	39,606	31,464
For invoices not yet received	37,385	29,280
Royalties	682	419
Sales commissions	415	349
Staff association costs	632	691
Other	492	725
Advances received	301,287	31,127
Deferred income	(29)	298
Employee-related liabilities	26,722	24,958
Wages	3,165	2,992
Earned holiday entitlement, incentives	17,419	15,556
Payroll taxes	1,358	2,377
Social security costs	4,780	4,033
Other	(4)	(4)
Total	367,582	87,843

Advances received relate to prepayments from customers for future wafer sales of USD 29,186 thousand (December 31, 2022: USD 20,852 thousand) and capacity reservation deposits received under long-term agreements concluded with customers of USD 272,101 thousand (December 31, 2022: USD 10,275 thousand). These amounts represent contract liabilities as defined in IFRS 15 and, depending on the respective agreements with the customer, will be settled by offsetting advances received against deliveries of wafers made or by settlement against trade accounts receivable within the next three to five years. All prepayments from customers for future wafer sales and capacity reservation deposits are recorded as current or non-current based on the usual classification principles, i.e., items that are settled within the normal operating cycle are classified as current, even if they are expected to be settled after twelve months. However, the Group expects prepayments from customers for future wafer sales and capacity reservation deposits totaling USD 261,914 thousand to be settled after more than 12 months.

Liabilities for social security costs at December 31, 2023, and December 31, 2022, include deferred payments of amounts due by X-FAB France in accordance with the terms of a government support scheme to alleviate the economic effects of the Covid-19 pandemic.

7.14 Provisions

Provisions comprise the following:

in thousands of U.S. dollars	2023	2022
Current provisions	9,775	7,413
Non-current provisions	56	56
Total	9,831	7,469

Current provisions primarily relate to warranty costs.

Warranty provisions are estimated based on the Group's experience of past claim rates and knowledge of current claims together with an assessment of rectification costs. Increased business resulted in an increase in warranty provisions in the financial year.

Non-current provisions refer to anniversary bonuses for employees accounted for in accordance with IAS 19, which include estimates of future staff turnover, based on the Group's experience of staff turnover rates in recent years.

The movements on provisions during the year were as follows:

in thousands of U.S. dollars	Warranty provisions	Employee provisions	Other	Total
January 1, 2023	6,854	616	–	7,470
Provided for	3,687	10	1,000	4,697
Utilized	(1,500)	(50)	–	(1,550)
Released	(535)	–	(287)	(822)
Effect of changes in exchange rates	17	17	3	37
December 31, 2023	8,523	593	716	9,832

in thousands of U.S. dollars	Warranty provisions	Employee provisions	Other	Total
January 1, 2022	3,691	820	–	4,511
Provided for	5,471	23	–	5,494
Utilized	(2,073)	(179)	–	(2,252)
Released	(181)	(3)	–	(184)
Effect of changes in exchange rates	(54)	(45)	–	(99)
December 31, 2022	6,854	616	–	7,470

8 Notes to the statement of cash flows

The change in trade payables in working capital excludes changes in the amounts of outstanding liabilities for additions to property, plant, and equipment, as payments for additions to fixed assets are recorded in the statement of cash flows when payment is made.

Cash flows from operating activities in the financial year 2023 include, for the first time, significant amounts of receipts of prepayments from customers for the future supply of wafers and receipts and repayments of capacity reservation deposits received under long-term agreements concluded with customers. The amounts of prepayments from customers and capacity reservation deposits carried forward for offsetting against trade accounts receivable or for repayment to customers are disclosed within other current liabilities as reported in note 7.12.

Non-cash transactions primarily include the effects from exchange rate differences, allowances on trade receivables and increases in provisions.

The difference between the cash outflows for investments and the additions to property, plant, and equipment is primarily due to the level of outstanding invoices for additions recorded at the end of the financial year.

The Group entered into one sale and leaseback transaction for property, plant, and equipment in 2021. The cash inflow from that transaction was received in 2022 and amounted to USD 7,723 thousand.

9 Segment reporting**Operating segment**

The Group manages its CMOS and MEMS operations as one single operating segment. Operating decisions are taken on a product and technology level by the President and Chief Executive Officer, who is assisted by the parent company's management team. Accordingly, X-FAB has identified its President and CEO as its chief operating decision maker for the purposes of defining segments in accordance with IFRS 8. No separate operating results for the CMOS and MEMS operations are used by the chief operating decision maker to manage X-FAB's operations, assess performance, or make resource allocation decisions. As a result, X-FAB has determined that its operations constitute one single segment.

Geographic concentrations

The following table shows an analysis of revenue (based on the customer's billing location) and non-current assets by geographic area for the reporting period.

Revenue by geographic area:

in thousands of U.S. dollars	2023	2022
Europe	595,583	454,197
Belgium	402,545	294,400
Germany	87,558	72,794
United Kingdom	58,871	42,117
Austria	8,351	11,007
France	7,098	8,022
Switzerland	8,434	7,918
Sweden	6,116	5,215
Denmark	3,475	3,090
Other	3,288	3,179
Finland	2,369	2,384
Netherlands	4,872	2,629
Ireland	2,606	1,442
Asia	213,476	176,128
China	78,855	55,084
Japan	40,947	28,582
Malaysia	18,237	20,055
Singapore	14,021	18,225
Thailand	18,230	14,556
Macau (China)	10,523	1,181
Taiwan	5,388	12,232
Hong Kong	15,477	12,029
Korea	9,532	9,648
New Zealand	1,001	3,420
Other	1,265	1,116
United States of America	96,154	106,725
Rest of the world	1,573	2,419
Total	906,786	739,469

Non-current assets by geographic area:

in thousands of U.S. dollars	2023	2022
Malaysia	318,794	187,265
France	197,106	114,289
Germany	174,167	151,114
United States of America	141,050	89,388
Total	831,117	542,056

Significant customers

The Group has one (2022: one) customer whose revenues exceeded 10% of the Group's consolidated external revenues. The total revenue from this customer, which was a related party until November 14, 2023 (see note 12), amounted to USD 399,844 thousand in 2023 (2022: USD 293,014 thousand).

10 Financial instruments – fair values and risk management

Accounting classifications and fair values

The following tables show the carrying amounts and fair values of financial assets and financial liabilities measured at fair value through profit or loss and measured at amortized cost, respectively, including their levels in the fair value hierarchy.

December 31, 2023					
in thousands of U.S. dollars	Carrying amount	Fair value			
		Total	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Trade and other receivables	123,101				
Cash and cash equivalents	405,701				
Financial liabilities measured at amortized cost					
Trade payables	(90,681)				
Bank loans, overdrafts, and lease liabilities	(260,977)		(261,273)		(261,273)
December 31, 2022					
Financial assets measured at amortized cost					
Trade and other receivables	73,116				
Cash and cash equivalents	369,425				
Financial liabilities measured at amortized cost					
Trade payables	(53,654)				
Bank loans, overdrafts, and lease liabilities	(296,945)		(296,950)		(296,950)

Financial instruments measured at amortized cost

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

The fair value of the Group's non-current liabilities is based on their present values calculated by discounting future cash flows at current rates of interest available for debt with the same maturity profile.

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.

There have been no transfers of assets or liabilities between levels of the fair value hierarchy in the current or previous year.

Financial assets and liabilities accounted for at fair value through profit or loss

The Group held no financial instruments measured at fair value through profit or loss in the current or previous financial year.

The Group held no forward foreign exchange contracts or interest rate swaps in the current or previous financial year.

Financial assets and liabilities accounted for at fair value through other comprehensive income

The Group held no financial assets and liabilities accounted for at fair value through other comprehensive income in the current or previous financial year.

Management of risks arising from financial instruments

The X-FAB SE Group's principal financial liabilities comprise bank loans and bank overdrafts, and trade payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has various financial assets, such as trade receivables and cash and short-term deposits, which arise directly from its operations.

Financial assets in the form of free short-term cash available are placed on deposit with banks with a high credit rating.

Deliveries made by the Group are subject to the reservation of proprietary rights until the customer has paid for the goods. Generally, further security is not obtained.

While the Group did not hold any derivative financial instruments in the current or previous year, it does, from time to time, enter into derivative financial instruments to manage the foreign exchange risks and interest rate arising from the Group's sources of finance where the risks of financial loss or the liquidity risk appears excessive. Such transactions are exclusively entered into to reduce the risk of contractually agreed or highly probable transactions. These transactions are classified as FVTPL for accounting purposes because the Group does not formally account for them using hedge accounting techniques.

The primary risks arising from the Group's financial instruments are market risks (interest rate and foreign currency risks), credit risk, and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks. The primary objective in managing these risks is to minimize the risk of financial loss and the risk of any interference with the Group's ability to pursue its commercial objectives. The policies followed in respect of each risk are summarized below.

Interest rate risk

The X-FAB SE 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. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. To manage this, the Group might enter into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At December 31, 2023 approximately 20% of the Group's borrowings (excluding financial leases) are at a fixed rate of interest (December 31, 2022: 25%). Accordingly, the Group's exposure to interest rate risk is limited.

Foreign currency risk

The Group's statement of financial position can be affected by changes in the dollar exchange rates, in particular movements against the euro (EUR) and the Malaysian ringgit (MYR). This risk mainly relates to transactions in foreign currency.

The following tables provide an analysis of monetary assets and liabilities by currency denomination, expressed in thousands of USD:

Assets and liabilities denominated in EUR:

in thousands of U.S. dollars	2023	2022
Assets		
Trade accounts receivable	33,813	15,342
Other assets	36,616	34,521
Cash	110,763	180,284
Liabilities		
Trade payables	34,095	13,625
Loans and borrowings	150,318	144,903
Other liabilities and provisions	133,012	39,479

Assets and liabilities denominated in MYR:

in thousands of U.S. dollars	2023	2022
Assets		
Trade accounts receivable	38	44
Other assets	5,461	5,813
Cash	43,419	14,839
Liabilities		
Trade payables	89	269
Loans and borrowings	3,852	6,203
Other liabilities and provisions	2,000	882

The Group's policy is to manage selected foreign currency exchange risk by entering into forward rate currency purchase or sale transactions (currency forwards) for specific amounts of foreign currencies in anticipation of transactions which are contractually fixed or highly probable.

The following exchange rates were used in preparing the consolidated financial statements:

	2023	2022
USD/EUR		
Closing rate	0.905	0.937
Average rate	0.925	0.948
USD/MYR		
Closing rate	4.595	4.405
Average rate	4.559	4.398

The Group also has currency exposures arising from sales or purchases made when operating units undertake transactions in currencies other than their functional currencies.

Approximately 44% (2022: 42%) of the Group's sales and 44% (2022: 40%) of the Group's costs are denominated in currencies other than the functional currency of the operating unit making the sales.

The following table demonstrates the sensitivity to changes in fair value of monetary assets and liabilities on the Group's profit before tax to reasonably possible changes in the USD/EUR and USD/MYR exchange rates, with all other variables held constant and excluding effects of foreign exchange related derivatives held. We have also assessed that the sensitivity to changes in fair value of monetary assets and liabilities to profit before tax is a good approximation of the effect on equity of the Group as the associated tax effect would not be significant.

USD/EUR	Increase/ (decrease) in EUR rate	Effect on profit before tax
2023	5%	(6,875)
	-5%	6,875
2022	5%	1,607
	-5%	(1,607)
USD/MYR	Increase/ (decrease) in MYR rate	Effect on profit before tax
2023	20%	7,643
	-20%	(7,643)
2022	20%	2,669
	-20%	(2,669)

The Group believes that a reasonably possible change of other exchange rates, with all other variables held constant, will not have a significant effect on the Group's profit before tax and on the Group's equity.

The currency risk from translating foreign entities with a functional currency that is different from the presentation currency can be considered to be immaterial as it relates to non-significant entities.

Credit risk

The Group's primary credit risk concentrations affecting financial assets are in respect of trade receivables (described in note 7.5), balances with related parties (note 12), and balances and short-term deposits at banks (note 7.7).

The Group only trades with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis to ensure that the Group is not exposed to significant risk of credit loss. The maximum exposure is represented by the carrying amounts disclosed in notes 7.5 and 7.6. With respect to credit risk arising from financial assets, including cash and cash equivalents, the Group's maximum exposure to credit risk arising from default of the counterparty is equal to their carrying amounts in the statement of financial position.

The Group has not recorded any expected credit losses for cash and cash equivalents as it considers that any measurement of the 12-month expected loss would be an insignificant amount given the good credit rating of the respective banks.

Liquidity risk

The Group monitors its risk of a shortage of funds and of difficulties in meeting obligations associated with financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, bank overdrafts, and other financial instruments. Based on the positive cash flow projections and the excess of current assets over current liabilities, there was no significant liquidity risk at December 31, 2023, or December 31, 2022. The expected cash inflows from trade and other receivables maturing within two months total USD 123,101 thousand (December 31, 2022: USD 73,116 thousand). Trade accounts payables are due within the next 12 months. An analysis of the maturity of financial liabilities and available credit lines is presented in note 7.11.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. Further, management aims to maintain a stable level of cash balances available for ready use at all times and to at least maintain, or increase, the available cash at the current level and to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings. These goals can be achieved by a combination of cash inflows and the use of new external new financing arrangements. The Group manages its capital structure (consisting of equity and borrowings) and makes adjustments to it in light of changes in economic conditions. To adjust its capital structure, the Group may choose to take measures such as making payments to or adjusting dividend payments made to shareholders, returning capital to shareholders, or raising new capital by issuing new shares or adjusting its borrowing levels. No change was made to the Group's capital management objectives, policies, or processes during the years ended December 31, 2023, and December 31, 2022.

The EUR 200,000,000 multicurrency revolving credit facility is available to the parent company and its primary subsidiaries for use for euro and U.S. dollar capital expenditures, general working capital requirements and general corporate purposes (including acquisitions). The facility contains a covenant stating that the borrower shall ensure that the ratio of total net indebtedness (the sum of all borrowing and guarantee obligations of a financial nature, defined more closely in the facility agreement) cannot exceed 3.5 times its EBITDA, otherwise the loan will be repayable on demand. The Group was in compliance with this covenant at December 31, 2023.

The X-FAB SE Group's other bank loan agreements do not include requirements to comply with externally imposed capital requirements, for example requirements to meet specific equity and free cash flow ratios.

The EUR 200,000,000 multicurrency revolving credit facility and other bank loan agreements contain certain other covenants typical for such borrowing arrangements which impose a number of requirements on the borrower, including, among other things, early termination and set-off of asset balances against matured obligations balances in case of a material event of default, negative pledge clauses, obligations to provide certain information relating to the financial condition of the borrower, and change of control provisions. Early repayments of amounts borrowed may be demanded or offset against asset balances and renewals or drawdowns of additional tranches under credit arrangements may not be available if there is an event of default or should the Group fail to meet its other obligations under such terms and conditions. Further, the Company has entered into undertakings under the terms of certain credit agreements to maintain its existing equity percentage in the share capital and related percentage of voting rights of its respective subsidiaries.

The lenders in the bank syndicate providing the Group's EUR 200,000,000 multicurrency revolving credit facility and lenders under other bank loan agreements have confirmed that the changes in the shareholdings in the Company held by investors made in November 2023 described in note 12 under which XTRION NV sold its shareholdings in the Company and ceased to be a shareholder of X-FAB SE will not trigger any repayment of amounts borrowed and will not result in any change to the facilities available for use by the Group under its borrowing facilities.

11 Leases

The Group has various lease arrangements for the use of commercial properties, infrastructure, and technical equipment and machinery. The arrangements run for various periods until 2034 and carry interest rates between 0.15% and 4.66% (December 31, 2022: 0.02% and 4.66%). The contractual arrangements vary from lease to lease. Some of these arrangements include purchase options at a price that is lower than the expected fair value of the assets at the end of the lease period, so that the Group expects that these will be acquired at a later date. Other leases are for a fixed period of time and are renewed unless canceled by either party, or include lease period extension options exercisable by the Group.

The carrying values of right-of-use assets presented as property, plant, and equipment were as follows:

in thousands of U.S. dollars	2023	2022
Net book value January 1	21,438	24,415
Additions	588	1,923
Depreciation	(4,438)	(4,373)
Disposals	–	–
Reclassifications	–	(527)
Net book value December 31	17,588	21,438

For lease arrangements which include extension options exercisable by the Group, the Group assesses, at the commencement of the lease, whether it is reasonably certain to exercise the extension options. The Group makes subsequent reassessments of whether it is reasonably certain to exercise such options if there is a significant event or significant changes in circumstances which are within its control. Should the Group exercise the extension options, the future cash outflows under leasing arrangements, the right-of-use assets recognized, and the commitments under the lease liabilities would be increased. The Group does not make estimates of such potential increases as the most significant extension options are at future dates and the amounts and available operational alternatives may change. The overall level of right-of-use assets and leasing obligations are, however, unlikely to change by material amounts.

The future minimum lease payments due in respect of lease liabilities are as follows:

in thousands of U.S. dollars	2023		2022	
	Minimum leasing payment	Present value	Minimum leasing payment	Present value
2024	5,916	5,503		
2025–2027	17,554	16,104		
2023			6,050	5,506
2024–2026			22,865	21,003
Total	23,470	21,607	28,915	26,509
Interest	(1,863)	(1,863)	(2,407)	(2,407)
Liability	21,607	19,744	26,508	24,102

Expenses relating to short-term leases amounted to USD 868 thousand (2022: USD 646 thousand), and expenses relating to leases of low-value assets (excluding short-term leases of low-value assets) amounted to USD 26 thousand (2022: USD 22 thousand).

The Group has entered into a further sale and leaseback agreement which commences January 1, 2024. This lease arrangement generates USD 26,717 thousand (EUR 24,178 thousand) of financing cash flows; repayment of the lease liability is made over five years in monthly installments together with interest based on an EURIBOR plus an agreed lending margin.

12 Transactions with related parties

Transactions with shareholders and their subsidiaries

As part of its normal business activities, the Group undertakes transactions with entities in the XTRION Group, a group of companies controlled by XTRION NV, which holds equity stakes in a range of portfolio companies in the semiconductor industry. XTRION NV and the companies controlled by it are related parties of X-FAB SE due to the fact that XTRION NV is jointly controlled by Roland Duchâtelet, Françoise Chombar, and Rudi De Winter via STAK Xpeqt.

Until November 14, 2023, XTRION NV was the controlling shareholder of X-FAB SE and Melexis NV. Melexis NV (and its subsidiaries) develop, design, and sell integrated circuits to customers such as the automotive industry and is a significant customer of X-FAB SE's subsidiary companies. On November 14, 2023 Sensinnovat BV and Elex NV acquired the shareholdings in X-FAB SE and Melexis NV held at that date by XTRION NV. On the same date, XTRION NV, and Sarawak Technology Holdings Sdn. Bhd also terminated their shareholders agreement under which they were acting in concert in regard to their holdings in X-FAB SE. Accordingly, Melexis NV, companies in the Melexis Group and Sarawak Technology Holdings Sdn. Bhd together with companies controlled by Sarawak

Technology Holdings Sdn. Bhd ceased to be related parties of X-FAB SE and its subsidiaries with effect from November 14, 2023.

Transactions disclosed as related party transactions with shareholders and their subsidiaries include, in addition to transactions with XTRION NV and its subsidiaries, transactions with Melexis NV and its subsidiaries until November 14, 2023, and management fees paid to Sensinnovat BV, ESA Management BV, and FAJEL Consultants SPRL for services as directors of the Company. Such management fees are included in, and not in addition to, the amounts disclosed below within remuneration of persons with key management positions.

Transactions entered into between the Group and XTRION NV and its subsidiaries and Melexis NV and its subsidiaries until November 14, 2023, include the purchase of certain work in process and services, as well as the sale of products and provision of services to these companies. X-FAB SE's subsidiaries are the main wafer suppliers for the Melexis Group, and Melexis is a significant customer of X-FAB SE's subsidiaries. In addition, the Melexis Group also provides final test services as well as design support to X-FAB SE subsidiaries.

Subsequent to the balance sheet date, on January 1, 2024, the Group acquired the entire share capital of M-MOS Semiconductor Hong Kong Limited (M-MOS), a limited liability company incorporated under the laws of Hong Kong, and its subsidiaries for a consideration of EUR 22,500 thousand (USD 24,863 thousand) payable in cash. M-MOS was acquired from XTRION, a related party. Further details on this transaction are provided in note 5.

Conditions of the commercial relations between X-FAB and its related parties are in line with those that have been agreed upon between independent parties in comparable circumstances.

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

in thousands of U.S. dollars	2023	2022
Trade accounts receivable due from Melexis group companies	–	27,241
Trade accounts receivable due from M-MOS group companies	2,408	2,905
Trade accounts receivable due from X-Celeprint	32	34
Trade accounts receivable due from X Display Company Technology	334	34
Total	2,774	30,214

in thousands of U.S. dollars	2023	2022
Advances received from Melexis group companies	–	3,833
Advances received from M-MOS group companies	3,827	3,827
Trade accounts payable due to Melexis group companies	–	132
Trade accounts payable due to M-MOS group companies	23	22
Trade accounts payable due to XTRION	33	26
Trade accounts payable due to Sensinnovat	–	118
Other	–	18
Total	3,883	7,976

Receivables from related parties relate to trade receivables, do not carry interest, and are payable on normal credit terms.

Sales made to XTRION group companies (Melexis group and M-MOS group until their sale by XTRION and X-Celeprint and X Display Company) primarily include the supply of PCM-tested wafers and NRE on the basis of wafer supply agreements made between the parties.

Other income results from the provision of technical facilities, supplies, utilities, property rentals, and services provided. Services provided include information technology, personnel, and legal support services. For services provided, charges are made in relation to the costs incurred based on an agreed formula which considers the use of facilities, employee time spent, and specific transaction details. Interest income and expenses arose in connection with loan arrangements.

Sales and other income comprise the following:

in thousands of U.S. dollars	2023	2022
Sales to Melexis group companies	339,229	293,014
Sales to M-MOS group companies	13,300	18,940
Sales to X Display Company Technology	255	359
Property rental and other income from Melexis group companies	3,484	2,080
Other income from M-MOS	48	39
Other income from X Display Company	11	–
Total	356,327	314,432

Property rental and other income from Melexis group companies includes rentals and charges for technical services included in the amounts described in note 6.7 as well as other items classified in other positions in the consolidated statement of income.

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

in thousands of U.S. dollars	2023	2022
Services provided by Melexis group companies	618	413
Services/purchases provided by M-MOS group companies	21	18
Services provided by XTRION	105	87
Services provided from Elex	76	–
Warranty cost Melexis group	1,288	2,724
Total	2,108	3,242

Services purchased from member companies of the XTRION group primarily included wafer test and final test services. Outstanding balances from sales and purchases of goods and from receiving and rendering of services at the reporting date are unsecured, interest free, and settled in cash. There have been no guarantees provided or received for any related party receivables or payables.

Remuneration of persons with key management positions

in thousands of U.S. dollars	2023	2022
Short-term employee benefits	1,334	1,297
Short-term employee benefits for members of management that are not on the payroll of the Company (CEO, CFO, and COO)	1,305	679
Directors' compensation	187	231
Total	2,826	2,207

The persons with key management positions as referred above as of December 31, 2023, include the Group's CEO, CTO, CFO, COO, the CEO of X-FAB Dresden, the CEO of X-FAB Sarawak, the CEO of X-FAB Texas, the CEO of X-FAB Erfurt and the CEO of X-FAB France. Short-term employee benefits for members of management that are not on the payroll of the Company disclosed above represent payments for the provision of key management personnel that are provided by separate management entities.

The Group has made contributions to defined contribution pension plans for the benefit of persons with key management positions totaling USD 106 thousand (2022: USD 101 thousand). Contributions to defined contribution plans primarily comprise statutory contributions to be made by employers to state-based defined contribution plans. In connection with these plans there are no minimum guarantees by the employer. The defined contribution is based on a fixed percentage of the (capped) gross salary determined by state laws.

13 Other disclosures**13.1 Purchase commitments and contingencies**

Purchase commitments comprise the following at December 31:

in thousands of U.S. dollars	2023	2022
Purchase commitments		
Property, plant, and equipment	600,040	334,217
Intangible assets	1,465	2,400
Material and services	10,869	39,865
Total	612,374	376,482

Purchase commitments mainly refer to purchase orders placed for investments in technical machinery.

Commitments concerning investment grants and subsidies received

Various Group entities receive grants and subsidies in connection with the acquisition of certain qualifying

assets (asset-related grants and subsidies) and subsidies to offset research and development costs (income-related grants). No material amounts of other government assistance are received.

Specifically, XMF and X-FAB Dresden receive grants and subsidies in connection with the acquisition of certain qualifying assets (asset-related grants and subsidies). The grant rules require that the assets on which investment grants have been received are retained for a period of five years (the subsidy rules, which largely apply to the same assets, have a similar three-year retention requirement) and that specified employee levels are maintained at specific locations. If it is not possible to fulfill these conditions, the grants and subsidies may be partially repayable. The total amount of grants and subsidies received in the past (and thus deducted from the carrying amounts of the assets) on property, plant, and equipment amounted to USD 137.5 million (December 31, 2022: USD 137.5 million); the retention requirements have not yet been fulfilled in full for grants and subsidies received totaling USD 13.5 million included in that total.

13.2 Unresolved legal disputes and claims

The Group is not aware of any unresolved legal disputes, claims or proceedings which could have a significant financial impact on the Group.

13.3 Employees

The average number of employees employed by the Group during the year was as follows:

	2023	2022
Production	3,845	3,568
Research and development	309	310
Sales, marketing, and administration	307	290
Trainees	128	117
Total	4,589	4,285

The total number of employees employed by the Group at December 31 was as follows:

	2023	2022
Production	4,000	3,662
Research and development	318	319
Sales, marketing, and administration	317	299
Trainees	137	131
Total	4,772	4,411

Note: Number of employees excludes contract workers (borrowed)

13.4 List of shareholdings

Entity	Place of incorporation	Principal activities	Shareholding in %
X-FAB Silicon Foundries SE	Tessenderlo, Belgium	Holding company	
X-FAB Semiconductor Foundries GmbH	Erfurt, Germany	Wafer manufacturing	100.00 %
X-FAB Dresden GmbH & Co. KG	Dresden, Germany	Wafer manufacturing	100.00 %
X-FAB Dresden Verwaltungs-GmbH	Dresden, Germany	No activity	100.00 %
X-FAB Texas Inc.	Texas, USA	Wafer manufacturing	100.00 %
X-FAB Sarawak Sdn. Bhd.	Kuching, Malaysia	Wafer manufacturing	100.00 %
X-FAB France SAS	Corbeil-Essonnes, France	Wafer manufacturing	100.00 %
X-FAB Japan KK	Yokohama, Japan	Trading company	100.00 %
X-FAB MEMS Foundry GmbH	Erfurt, Germany	Wafer manufacturing	100.00 %
OOO Microdesign	Voronezh, Russia	R&D, design	100.00 %
X-FAB MEMS Foundry Itzehoe GmbH	Itzehoe, Germany	Wafer manufacturing	100.00 %
X-FAB Global Services GmbH	Erfurt, Germany	R&D, administration	100.00 %

13.5 Consolidated financial statements of the ultimate parent

Until November 14, 2023, the ultimate parent of X-FAB SE and its subsidiaries was XTRION NV. Although XTRION NV did not hold a majority of the Company's shares, it was the Company's largest shareholder and has a controlling interest given its dominant shareholding position relative to the size and dispersion of other shareholders. The financial statements of the companies included in the Group were also included in the consolidated financial statements of XTRION NV until November 14, 2023. The consolidated financial statements of XTRION NV can be obtained on request from XTRION NV, Transportstraat 1, 3980 Tessenderlo, Belgium.

As described in note 12, on November 14, 2023 Sensinnovat BV and Elex NV acquired the shareholdings in X-FAB SE and Melexis NV held at that date by XTRION NV. No shareholder has held overall control of X-FAB Silicon Foundries SE since that date.

13.6 Auditor and auditor's remuneration

During the general shareholders' meeting on April 27, 2023, KPMG Bedrijfsrevisoren BV was reappointed as the Company's auditor for the years 2023, 2024, and 2025.

The auditor's remuneration for the period was as follows:

in thousands of U.S. dollars	2023	2022
Audit cost		
KPMG	583	345
Other audit firms	107	105
Other services		
KPMG	95	27
Total	785	477

14 Events after the reporting period

Subsequent to the balance sheet date, on January 1, 2024, the Group acquired the entire share capital of M-MOS Semiconductor Hong Kong Limited (M-MOS), a limited liability company incorporated under the laws of Hong Kong, and its subsidiaries for a consideration of EUR 22,500 thousand (USD 24,863 thousand) payable in cash. M-MOS was acquired from XTRION, a related party. Further details on this transaction are provided in note 5.

Tessenderlo, March 21, 2024

Managing Director, CEO



Sensinnovat BV
Represented by Rudi De Winter
CEO

HEY CHIP,
CAN YOU MAKE
MY BATTERY
LAST LONGER?

YES, BECAUSE I KEEP AN
EYE ON TEMPERATURE,
VOLTAGE, AND CHARGE
OF EACH INDIVIDUAL
CELL IN YOUR BATTERY.



The battery is the heart of every electric vehicle. Each of its cells must be monitored so that their values remain within an optimum range. The better this is achieved, the further you can drive. Our XT018 technology makes this possible – by measuring the parameters of individual cells more precisely.



6. CORPORATE SOCIAL RESPONSIBILITY AT X-FAB

6.1 Scope

This chapter documents X-FAB’s environmental and social performance during the 2023 financial year. The environmental and social performance figures reported in this chapter have been prepared in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards (2016) core option.

During the materiality analysis and the review of the GRI standards, the expectations and requirements of external and internal stakeholders were evaluated. A report is prepared to outline various topics with regards to sustainability, respect for human rights, personal and social matters, environmental matters, anti-corruption and bribery, and the supply chain. Additionally, information on cyber security at X-FAB and a section on EU taxonomy and the associated reporting requirements are presented.

The report contains the core GRI indices as well as standard disclosures on general characteristics of X-FAB as an organization. Some of these figures can be found in other parts of the annual report. A table identifying the location of key figures and statements can be found on X-FAB’s website. Unless otherwise specified, the disclosed information refers to the 2023 financial year. Where applicable, data was collected and/or measured by X-FAB or obtained from external sources, such as utility providers. Data compiled from X-FAB sites was validated using internal procedures. Therefore, the environmental and social information in this report was not externally assured.

This chapter is structured according to the three key areas of environment, social, and governance (ESG) and is based on a broader understanding with respect to external stakeholders.



Environmental

Considers how X-FAB performs as a steward of nature, e.g. energy emissions and waste management.



Social

Examines how X-FAB manages its relationships with employees and the community, e.g. health and well-being, working conditions, and social awareness.



Governance

Deals with how X-FAB is governed, e.g. governance overview and supply chain management. Please refer to the Corporate Governance Statement for more information.

Fig. 6.1: Environmental, social, and governance (ESG) topics

In general, the statements and figures provided are valid for the entire organization. Site-specific information is indicated where applicable. The report covers all entities of the X-FAB Silicon Foundries SE Group. Its scope and boundary was confirmed by the X-FAB Board.

X-FAB aims to be the foundry of choice for the analog world by focusing on innovative solutions and on the quality of products as well as services. X-FAB’s manufacturing excellence meets customer expectations and enables long-lasting success for all stakeholders.

To meet the product and service quality expectations of its customers, X-FAB has established and is maintaining a quality management system certified according to ISO 9001:2015 and IATF 16949:2016.

ISO 9001 and IATF 16949

ISO 9001:2015 specifies the requirements for a quality management system. It helps organizations to ensure they meet the needs of customers and other stakeholders while also respecting statutory and regulatory requirements related to a product or service. IATF 16949:2016 as an automotive industry standard for quality management systems is implemented as a supplement to and in conjunction with ISO 9001:2015. It specifies the requirements for establishing, implementing, maintaining, and continually improving a quality management system in the automotive supply chain.

Furthermore, X-FAB assumes responsibility by seeking an appropriate balance of interests between the consequences of required business decisions and its activities on economic, technological, social, and environmental levels. To save natural resources and to support the global reduction of CO₂ emissions, X-FAB operates an environmental and energy management system that is certified according to ISO 14001:2015 and ISO 50001:2018. Additionally, X-FAB is a member of the German Electrical and Electronic Manufacturers association (ZVEI) and is committed to the ZVEI Code of Conduct.

ZVEI

The ZVEI ("Zentralverband Elektrotechnik- und Elektronikindustrie e.V.") is the representative of the economic, technological, and environmental interests of the German electrical industry. The ZVEI has drawn up a Code of Conduct of its own, governing corporate social responsibility. The ZVEI Code of Conduct takes internationally established benchmarks as its reference and covers all relevant subjects.

X-FAB, as one of the industry's largest specialty foundry groups, is aware of its social responsibility in view of the Company's global business activities. X-FAB's company culture is based on universal ethical values and principles, especially integrity, honesty, diversity, respect of human dignity, openness, and non-discrimination comprising religion, ideology, gender, and ethnicity. X-FAB is also committed to promoting those values wherever possible and along the entire value chain.

To the best of X-FAB's knowledge, there has been no non-compliance of any laws or regulations identified concerning the use and provision of products and services related to environmental laws and regulations in 2023. X-FAB fosters partnerships and trustworthy interactions with its supervisory authorities, its supply chain partners, and its customers.

X-FAB also manufactures a large variety of products with sustainable impact on mobility, healthcare, and the energy sector. In particular, in the area of electrification of cars and the usage of renewable energy, the products manufactured at X-FAB play a vital part in reducing CO₂ emissions.

6.1.1 X-FAB's key environmental, social, and governance (ESG) goals

Sustainability has been a significant driver of X-FAB's development activities for several years, as the Company focuses not only on the broad range of its products but also on various internal and external activities. X-FAB's mission is to contribute to the social, environmental, and economic development of the countries and regions where it operates. In 2022, X-FAB took significant steps towards corporate sustainability by setting long-term key ESG objectives and initiatives, as sustainability is a journey that X-FAB is ever more committed to.

X-FAB has committed itself to the following four long-term key ESG objectives. These objectives were reviewed in 2023 and remain valid:

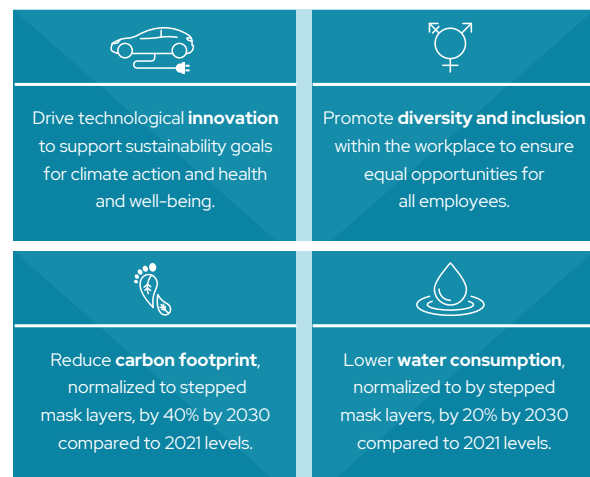


Fig. 6.2: X-FAB's ESG objectives

Drive technological innovation to support health, well-being, and environmental sustainability

Semiconductor technology is key for the digital transformation of and efficiency improvements in the healthcare sector, and X-FAB supports its customers to develop products for medical applications that meet the needs of a growing and aging populations. We want to increase the use of X-FAB technologies in medical applications and aim to grow X-FAB's medical business at an average annual growth rate of 10% until 2030. In 2023 X-FAB recorded a year-on-year growth of 21% in the medical end market, reflecting the increasing use of wearable medical devices as well as the growing demand for testing and point-of-care devices. Among the growth drivers in 2023 were an infrared temperature sensor and a DNA sequencing application.

X-FAB recognizes the importance of environmental protection for a sustainable future and supports its customers in developing green technologies. Energy efficiency can play a critical role in reducing greenhouse gas emissions, conserving natural resources, and promoting sustainable development across a broad range of sectors, such as transportation, industrial, or communication technology. Therefore, we intend to increase the percentage of our technologies that contribute to higher energy efficiency of the products they are used for, from 38% of total revenue in 2021 to 65% in 2030. In 2023, 54% of total revenue (excluding revenue recognized over time according to IFRS 15) has been generated through technologies that contribute to higher energy efficiency. Among the key growth drivers were X-FAB's popular 180nm automotive technology and silicon carbide.

Promote diversity and inclusion

In 2022 X-FAB founded a global Diversity Council comprised of members from Germany, France, Malaysia, and the USA to support our efforts on diversity and inclusion. The Council met on a quarterly basis and held a three-day workshop in Dresden, Germany, in November 2023.



Fig. 6.3: Members of the Diversity Council (from left to right: Elisabeth Straube, Venessa Garver, Henryk Schoder, Quentin Graiz, Maureen Labarge; missing: Rowena Tan, Rymaine Guerra, Melanie Salzberger)

As part of its 2023 strategy, the Diversity Council established two objectives: first, offer targeted training on diversity and inclusion to managers; and second, review and further improve equal treatment policies across all sites.

In 2023, several training sessions on diversity and inclusion were held at all locations, e.g. on sexual harassment. In addition, X-FAB launched a dedicated LinkedIn Learning campaign on diversity and inclusion for all employees in March 2023.

In order to further improve equal treatment and make it even more transparent, X-FAB created a global equal treatment policy in 2023, which will be published both internally and externally in early 2024.

Focus in 2023 was also on increasing the percentage of women in the organization and in supervisory positions. The members of the Diversity Council conducted 16 interviews with female employees in the USA, Malaysia, Germany, and France to find out about their experiences and expectations, in particular with regards to existing or potential management positions. As a result, the Council defined two major goals for 2024:

1. Development and Group-wide roll-out of e-learning courses in support of an unconscious bias awareness campaign: over the next three years, all employees will be required to complete training on unconscious bias, which has to be repeated every two years.
2. Increase the internal and external branding of X-FAB's diversity campaigns: improve the visibility of X-FAB's Diversity Council across various channels to continuously report and inform on diversity-related topics and objectives.

Reduce carbon footprint

Reducing carbon emissions and other greenhouse gases is an important step in mitigating climate change and its negative effects on the environment. X-FAB is committed to exploring and implementing sustainable measures to minimize its carbon footprint, and seeks to actively reduce its direct CO₂ emissions rather than artificially improve the Company's CO₂ balance by purchasing carbon credits.

X-FAB has set a goal to reduce its carbon footprint, measured in carbon emissions per stepped mask layer, by 40% by 2030 compared to 2021. Major initiatives involve shifting towards a low-carbon energy mix, improving the energy efficiency of its equipment, modernizing and extending gas abatements, and adopting low-carbon transportation options.

An update on the CO₂ emissions reduction achieved in 2023 can be found in section 6.2.2.3, Greenhouse gases.

Water consumption goal

Water consumption can have a significant impact on the environment, including the depletion of freshwater resources, water pollution, and damage to aquatic ecosystems. By reducing water consumption, companies can help to conserve this precious resource and ensure that it is available for future generations as well as minimize the impact on the environment. X-FAB aims to reduce water consumption per stepped mask layer by 20% in 2030 compared to 2021. Major initiatives include a water reduction program in Operations as well as broad investments to increase water reuse by recycling or reclaiming water at all X-FAB sites.

An update on water consumption in 2023 can be found in section 6.2.2.2, Water.

All targets are regularly reviewed and reported on annually.

6.1.2 Stakeholder engagement

Effective communication and collaboration with stakeholders are key to promote transparency, build trust, and achieve long-term sustainable development. X-FAB has identified the following stakeholders: customers, employees, investors, suppliers, and local communities. X-FAB utilizes different channels to communicate and engage with all of them, including in-person meetings, digital communication such as video messages to employees, and the use of other platforms. As the scarcity of skilled workers continued in 2023, particular focus was set on communication with existing employees and the external employment market. X-FAB regularly takes into account feedback from stakeholders to improve its reporting. Figure 6.4 shows the different channels X-FAB is using to communicate about its activities.

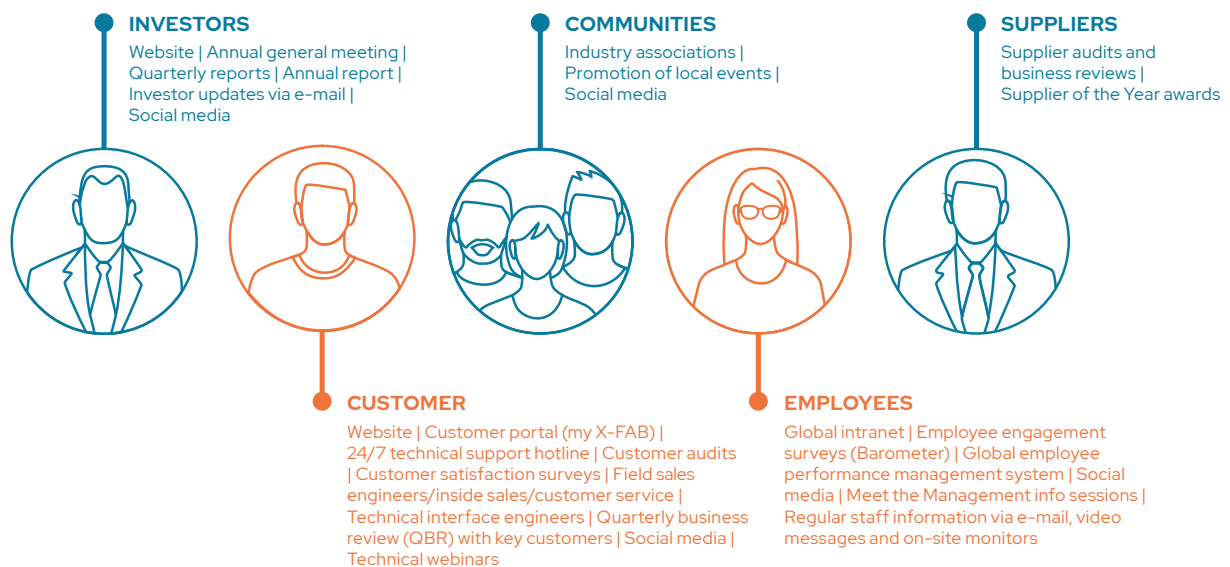


Fig. 6.4: Stakeholder engagement

Employee engagement

X-FAB continued its employer branding campaign with various activities aimed at attracting new talents to support future growth. These included, among other things, xfabulous-branded buses in Erfurt and Dresden, as well as local sponsoring of science fairs and other related activities.

At the same time, various initiatives targeted existing employees to increase their commitment to X-FAB. In 2023, after a one-year delay, X-FAB celebrated its 30th anniversary in Erfurt with employees from all German sites participating. At the other sites local events were held to honor the founding of X-FAB in 1992.



Fig. 6.5: X-FAB's 30th anniversary party in Erfurt, Germany

X-FAB France, for the first time ever, organized a family day for its employees and their family members. A variety of activities were offered: among others, family members were invited to join a company tour to see and experience the day-to-day work of a semiconductor factory.



Fig. 6.6: Images from the very first X-FAB France Family Day in Corbeil-Essonnes

Customer engagement

X-FAB engages with its customers on several levels beyond daily business. In 2023, X-FAB participated in various conferences and exhibitions. Exhibitions where X-FAB had a booth presence included two shows in the US: the power electronics show APEC in Orlando, Florida, and Sensors Converge in Santa Clara, California. There were also exhibitions in Germany (European Microwave Week), Israel (ChipEx), Poland (MicroTAS), and China (ICCAD). X-FAB's technical experts presented more than 50 papers, posters and invited talks at semiconductor-related conferences.

In December 2023, X-FAB hosted its 50th technical webinar with a record attendance of more than 450 participants. This anniversary edition on X-FAB's next-generation automotive 110nm technology was a highlight in X-FAB's webinar track record dating back to 2009. Since then, a total of 9,124 people from 58 countries have attended an X-FAB technical webinar.

Another format for bringing customers and employees together also continued in 2023: the popular "X-Snack" event series, which took place at our Erfurt and Dresden sites. X-Snack provides employees of X-FAB the opportunity to get to know our customers and learn about innovative applications enabled by X-FAB technology.

Local community engagement

X-FAB encourages its employees to engage in volunteer activities that benefit local communities and promote collaboration and dialog. A particular focus is on improving working conditions and promoting social and environmental responsibility, thus contributing to the well-being and long-term development of societies.

At each site, X-FAB supports several activities of its employees. In Itzehoe, X-FAB supported employees who participated in a local run and in Lubbock supported the donation campaign of the charity United Way. In Dresden, X-FAB employees participated in the initiative "Dresden is(s)t bunt" ("Dresden is/eats colorful"), promoting diversity in the local society.



Fig. 6.7: Employees of X-FAB Dresden at "Dresden is/eats colorful"

Industry association engagement

X-FAB promotes state-of-the-art technologies and their advancement through its involvement in numerous industry associations and other organizations.

Industry associations

X-FAB is a member of or otherwise related to several industry associations as well as scientific, governmental, and standardization organizations, including but not limited to:

A. Industry associations

- AENEAS – Association for European Nanoelectronics Activities
- ACSIEL – Professional French organization for the electronic field
- edaCentrum – Association for Electronic Design Automation, Germany
- EPIC – European Photonics Industry Association
- ESIA – European Semiconductor Industry Association
- FOA – Fab Owners Alliance
- Förderkreis Mikroelektronik (Society for the Promotion of Microelectronics, Germany)
- GSA – Global Semiconductor Alliance
- Medicen – Medical Competitiveness Cluster, Paris region
- Minalogic – Competitiveness cluster for digital technologies in the Auvergne Rhone Alpes region in France
- MSIA – Malaysia Semiconductor Industry Association
- SECA – Sarawak Electronics and Supporting Industries Companies Association, Malaysia
- SEMI – Global industry association serving the manufacturing supply chain for the micro- and nanoelectronics industries
- SFAM – Semiconductor Fabrication Association of Malaysia
- Silicon Saxony, Germany
- ZVEI – Zentralverband Elektrotechnik- und Elektronikindustrie (Electrical Industry Association, Germany)

B. Scientific organizations

- Curatorship in different Fraunhofer Institutes, Germany
- IMMS Institut für Mikroelektronik- und Mechatronik-Systeme (IMMS Institute for Microelectronic and Mechatronic Systems, Germany)
- C2N Center for Nanoscience and Nanotechnology at the University Paris-Saclay
- Texas Tech University, Electrical Engineering Industrial Advisory Board, and Dean's Council for the College of Engineering

C. Governmental committees/organizations

- Mikroelektronik Strategiekreis (Microelectronics strategy circle, Germany)
- Silicon Germany

D. Standardization organizations

- DKE – Deutsche Kommission Elektrotechnik Elektronik Informationstechnik in DIN und VDE (German Commission for Electrical Engineering, Electronics, and Information Technology of DIN and VDE)

6.1.3 Digital transformation

Digital transformation can play a crucial role in achieving sustainability goals by providing new tools and approaches to reduce resource use, minimize waste, and increase production efficiency. Digital transformation is the integration of process improvement and technology in all areas of X-FAB. In 2021 a dedicated department was established with the goal to fundamentally change the way we work, how we create customer value, and how we shape our organizational culture. "We have a vision to inspire changes across X-FAB by driving digitalization and automation projects to success," says Ulrike Sampermans, VP Digital Transformation. This covers aspects of change management and transformation, as well as technology and digital planning and portfolio management. The initiatives that are part of our digital strategy aim to strongly improve our efficiency and customer satisfaction, and to contribute to a great work environment. The overall goal is to simplify and deliver connections across X-FAB, with our customers and suppliers.

Five core focus areas have been defined and are the heart of the Digital Transformation Strategy 2023–

2027. For each of these focus areas, X-FAB defined roadmaps with priority initiatives, with global teams driving their implementation across all departments and sites.

New work

X-FAB has rolled out the "ONE X" new work strategy to support an efficient, fun, and productive work environment. These initiatives include the implementation of new and agile systems such as global interoffice and hybrid collaboration tools, a move to implement a paperless office with automation of forms, a single project management solution to enhance our development cycle, and mobile access to all collaboration, communication, and business applications from anywhere.

Fab efficiency

X-FAB has undertaken global initiatives to automate its fabs and manufacturing processes, aimed at increasing efficiency and productivity. These initiatives include the implementation of various yield enhancement tools, scheduling, MES systems, equipment automation, lot tracking, and transportation, as well as energy efficiency systems. Additionally, robotics has

been adopted in certain areas to further optimize operations to shift manual labor to more value-add activities.

Through these automation efforts, X-FAB seeks to improve quality and delivery, reduce cycle times, and lower costs, while also minimizing its environmental impact and enhancing the safety and well-being of its employees.

Data and AI

X-FAB is advancing its data and AI strategy with a suite of global initiatives. Key projects include:

- AI enhancements for equipment and process fault detection and classification (FDC) as well as predictive equipment maintenance;
- advanced data analysis using R/Shiny; and
- standardized AI platform for automatic image recognition (AIR) to improve wafer defect detection and classification.

In addition to these projects, X-FAB complements its business intelligence with solutions for capacity planning and operational benchmarking to boost reporting and analytics capabilities. Through collaborative initiatives, such as the global R/Shiny community and annual hackathons, X-FAB is driving innovations, uniting programmers, engineers, and experts to devise creative data and AI solutions for business challenges.

Customer transparency and quality

Through digitalization and automation, X-FAB is further enhancing its quality and customer transparency processes. This includes a variety of activities, such as the continuous improvement of the customer portal "myX-FAB", initiatives to enable direct B2B integration with customers, as well as overall sales and marketing improvements through automation in the CRM system. As part of our quality and continuous improvement activities, X-FAB is pursuing automation of error proofing, failure prevention, and the use of AI for fast abnormality recognition via data.

Business process optimization and new ERP

X-FAB has revised its business process landscape to harmonize, optimize, and automate activities and to identify areas for a lean approach globally and across departments. In line with this objective, a business process optimization and automation initiative has been established to simplify and support the implementation of a new next level ERP system across the organization. X-FAB has assessed and started to implement robotic process automation (RPA) to improve manufacturing and business efficiency and reduce costs.

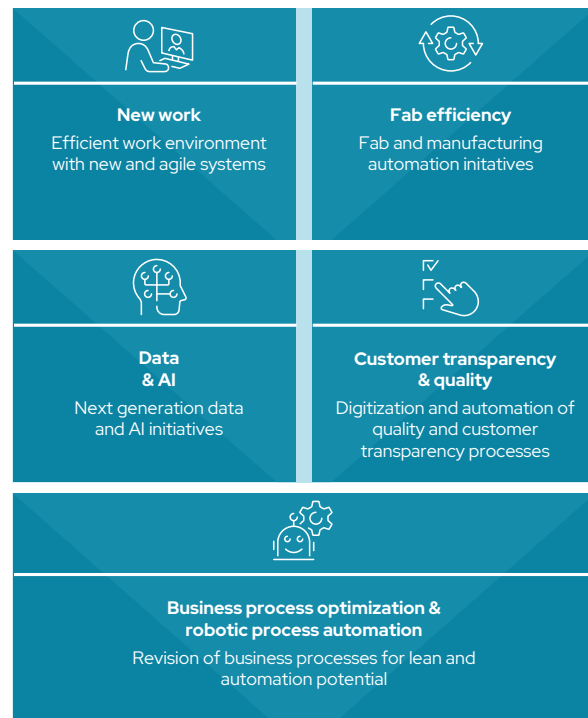


Fig. 6.8: Focus areas of X-FAB's digital transformation strategy

6.2 Environment

X-FAB's expertise in process technologies is used by its customers to develop green technology for energy solutions contributing to a sustainable future. However, the production of high-quality microchips and microsensors requires a huge amount of materials and energy in general. Thus, X-FAB has a responsibility regarding environmental topics. This is why, in addition to the Company's business, environmental activities are handled with an integrated quality management system with all sites being certified according to the ISO 14001:2015 standard. It is X-FAB's goal to balance current environmental, social, and economic requirements in order to minimize its impact on future generations. One standard and permanent goal is to fulfill all existing compliance obligations.

6.2.1 Environmental awareness and responsibility

In addition to the company values, X-FAB trains its employees on various topics in order to increase individual awareness for the Company's environmental impact as well as sustainability. All sites obey strict environmental local laws.

X-FAB is committed to carbon footprint reduction of 40% and a reduction of water consumption per stepped masked layer by 20% in 2030. The set targets, both with reference to 2021, will be reviewed and reported annually with site-specific goals to continually reduce the Company's impact on the environment.

Various environmental topics have been assigned to dedicated employees within X-FAB to ensure these environmental responsibilities in compliance with the EHS policy following the requirements of ISO 14001:2015 are fully covered. The following functions are defined: waste inspector, energy management inspector, radiation and emission inspector, and safety inspector. Employees taking over any of these roles are trained accordingly.

The production of semiconductors requires the use of many different materials, among them toxic materials and greenhouse gases. Tracking the material flow and monitoring the material efficiency as well as their use is necessary to reach sustained environmental conservation. All X-FAB sites are located in industrial areas. There are no adjacent nature reserves or similarly classified areas so that the impact on biodiversity is minimized.

For 2023, the data used for an overview of X-FAB's environmental indicators is consolidated across all sites and normalized to stepped mask layers (total of 21.5 million stepped mask layers). X-FAB Itzehoe is not included as the site is shared with third parties with only aggregated data available. However, compared to all other sites, the Group's material and energy consumption as well as the corresponding output of waste and gases at that location are not material.

6.2.2 Materials and waste management

The need to use materials that might cause toxic waste in the production of semiconductor products is a special challenge and a key environmental aspect. Therefore, material departments and waste commissioners have been established at each X-FAB site. The following materials are used for production: solvents, photoresists, neutral etchants, acids and bases, metals, gases, and water. Classifications are used and waste is separated by X-FAB to reduce the amount of hazardous or non-recyclable waste. The majority of the waste (hazardous as well as nonhazardous) is sent for recycling in order to recover valuable resources.

With 81.5% of waste recovered, the total waste disposal in 2023 was slightly lower compared to 2022 with a waste recovery of 84.1%.

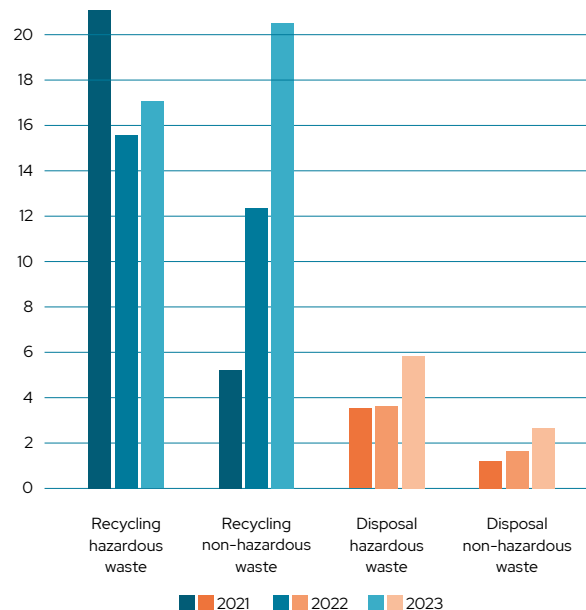


Fig. 6.9: Amount of waste by type and disposal method normalized to stepped mask layers (tons per million stepped mask layers)

X-FAB pursues permanent environmental objectives to decrease its overall environmental impact. An activity at the Kuching site carried over from 2022 is to increase the recycling rate of fluoride sludge waste for co-processing as a raw material in a cement plant instead of using landfill solutions.

6.2.2.1 Energy efficiency

At X-FAB, energy is mainly used in the form of electricity, whereas other sources play only a minor role. The production department has the highest energy consumption due to the energy-intensive advanced cleanroom conditions and production processes used. In 2023, X-FAB's global energy consumption was at about 541 GWh, a slight increase due to the increase in production equipment. The share of low-carbon electricity power sources, such as hydro, nuclear, solar, and wind, was at 66%, and the share of high-carbon sources, such as oil, gas, coal, biofuel, etc., was at 34%. The split for X-FAB Sarawak is based on data for 2021, as it is the most recent data available from the local electricity provider.

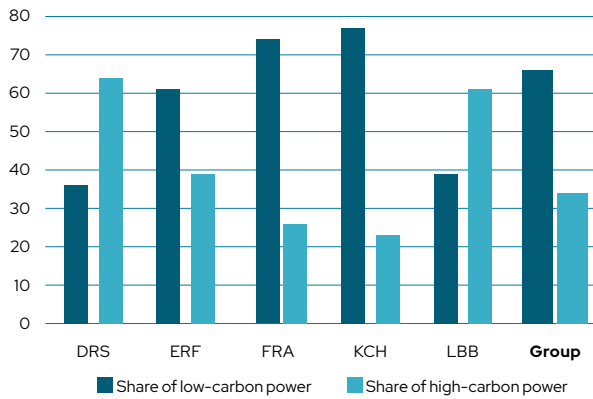


Fig. 6.10: Share of low-carbon and high-carbon electricity power sources (in percent)

At the sites in Erfurt, Dresden, and Corbeil-Essonnes, X-FAB has implemented an energy management system according to the requirements of ISO 50001:2018.

ISO 50001

This international standard specifies requirements for establishing, implementing, maintaining, and improving an energy management system, the purpose of which is to enable an organization to follow a systematic approach in achieving continual improvement of energy performance, including energy efficiency, energy use, and consumption.

This enables the assessment of improvement potentials of the Company's energy efficiency and their implementation in daily work. Across the Company, different activities and projects exist to reduce energy consumption, which are part of the aforementioned annually renewed environmental goals.

Several projects to improve energy efficiency were completed in 2023, examples of which are:

- replacement of a 7 MW chiller in Corbeil-Essonnes;
- replacement of CDA compressors in Erfurt;
- replacement of recirculating fans in Dresden with an estimated annual energy saving of 80,000 kWh; and
- continued replacement of VLF (vertical laminar flow) recirculating fans in Lubbock with an estimated annual energy saving of 44,000 kWh.

These projects contributed indirectly to the reduction of CO₂ emissions.

X-FAB's environmental goals are communicated during X-FAB's annual EHS week taking place at all sites.

Figure 6.11 shows the power consumed at all X-FAB sites over the past three years. Data is not available for Itzehoe for the entire period shown.

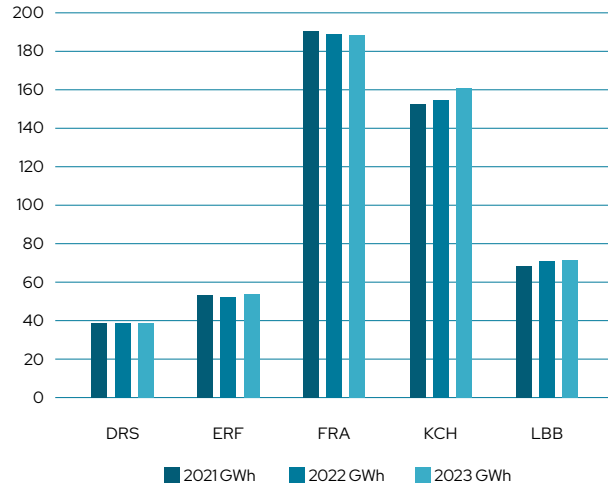


Fig. 6.11: Power consumption of all X-FAB sites from 2021 to 2023 (in GWh)

6.2.2.2 Water

In 2023, X-FAB's production consumed roughly 226.4 liters of water per stepped mask layer. The majority was used for cooling as well as for the supply and cleaning of production tools. Different sources of water supply are used, including surface water, municipal water, and ground water. There was a slight increase in consumption due to a changed product mix at some of the production sites compared to 2022. The Group's total water consumption (normalized to stepped mask layers) increased by 8% compared to 2021. Projects to reduce the total water consumption through increased recycling have been defined and are in execution across all sites.

	Amount in liter/sML
From a river	22
Ground water	52
Local drinking water supplier (city council)	152
Total water withdrawal	226

Fig. 6.12: Total water withdrawal by source

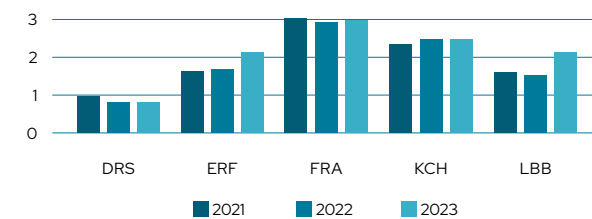


Fig. 6.13: Total water consumption (1,000 m³ per million stepped mask layers) over a three-year period

One of the activities to reduce water consumption is the reuse of flushing water from the UPW (ultra pure water) analyzer at the Kuching facility. The UPW analyzer flush water is collected and diverted to the raw water tank instead of the wastewater treatment plant.

6.2.2.3 Greenhouse gases

Global climate change is an important challenge to all industrial players worldwide. X-FAB understands the climate impact from its operations on society and the global economy. Nevertheless, the use of greenhouse gases is inevitable for the production of semiconductor devices, such as microchips and sensors. Figure 6.14 lists the 2023 total consumption of these gases after conversion to ton CO₂ equivalent.

Gas	Amount in t CO ₂ eq	GWP (IPCC AR4)
C ₂ F ₆	24,300	12,200
CF ₄	19,686	7,390
N ₂ O	13,446	298
NF ₃	3,093	17,200
SF ₆	2,991	22,800
CHF ₃	2,954	14,800
C ₄ F ₈	606	10,300
C ₅ F ₈	119	2
C ₃ F ₈	114	8,830
C ₄ F ₆	101	2
CH ₂ F ₂	7	675
CH ₃ F	0	92
C ₄ F ₈ O	0	13,900

Fig. 6.14: Gas emissions by ton CO₂ equivalent

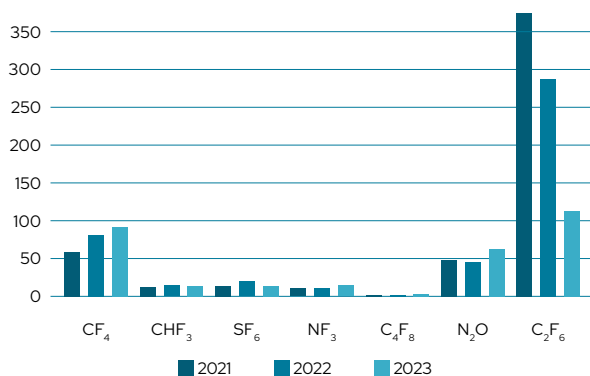


Fig. 6.15: Three-year comparison of PFC gas consumption (all gases ≥10 ton CO₂ per million stepped mask layers)

It is X-FAB's intention to minimize the direct emission of greenhouse gases. Therefore, each production site is equipped with state-of-the-art cleaning systems. The functionality of these systems is tracked and linked to the production equipment using greenhouse gases. There are additional measures at every site to ensure all regulations are followed. As a result, no significant spills of hazardous substances and greenhouse gases were found in the reporting period. Gas usage is monitored to ensure no wastage is occurring.

There was a significant decrease in PFC gas consumption in the last year due to replacements of old technology systems and energy efficiency programs; refer to section 6.2.2.1, Energy efficiency. To further decrease X-FAB's impact on the environment the corporate management board decided to reduce

the CO₂ emission per stepped mask layer by 40% by 2030 compared to the 2021 level.

In 2023, the Group's total CO₂ footprint (CO₂ equivalents normalized to stepped mask layers) reduced by 23% compared to the baseline value of 2021. This includes the reduction of direct emissions by 43% and an increase of the CO₂ footprint related to energy consumption by 1.5% against 2021. Main drivers for the achieved reduction were the substitution of clean gases used in Kuching and investments in additional abatements in Corbeil-Essonnes. Similar projects are running at all sites.

6.3 Social

6.3.1 Human rights and human resources

X-FAB's company ethics are based on universally held ethical values and principles, including respect of human dignity, openness, and nondiscrimination according to the ZVEI Code of Conduct. Consequently, X-FAB stands up for human rights as stated in the Charter of the United Nations, especially the protection from harassment, the prohibition of child and forced labor, the prohibition of discrimination, fair working standards and compensation, and freedom of thought, expression, association, and assembly, as well as collective bargaining. Based on the principle of "freedom of association" 98% of our employees in Europe are organized under the regulation of local and national collective bargaining agreements. These agreements give the highest level of transparency of working conditions to all employees. In France and Germany new collective bargaining agreements were negotiated and implemented in 2023.

All operations are continually monitored and reviewed regarding human rights. All of X-FAB's investments are in compliance with respective local laws. Additionally, a specific policy exists addressing the sourcing of conflict minerals which is further described in section 6.4.2.3 of this report. Respecting human rights is a matter of course for X-FAB and in all employment contracts. Any kind of child and/or forced labor is prohibited. Health and safety for all employees is guaranteed. The protection from corporal punishment as well as physical, sexual, psychological, or verbal harassment and abuse is ensured.

In 2023 a global equal treatment policy was created by reviewing local policies and establishing a global approach. In 2024 the policy will be implemented and published internally and externally.

Internal and external security personnel follow very high standards of human rights practices. During the selection process, they have to undergo special screenings and have to provide special certifications and qualification. They undergo specific training on values, behavior standards, and policies of X-FAB.

X-FAB supports disabled or handicapped persons according to local laws. At X-FAB's workplace more

than 120 employees (officially registered with disabilities) are well integrated into the daily work processes and routines. Any form of discrimination is strictly prohibited. All new employees who started in 2023 attended a mandatory employee orientation, of which training on human rights policies and X-FAB's Code of Conduct is an important focus. Relevant local laws together with company handbooks are accessible to all employees on X-FAB's intranet as well as in printed form. This is implemented by the Human Resources (HR) department, whose members are regularly trained externally and internally on human rights topics in more detail, such as inclusion, diversity, and anti-discrimination.

Employees are encouraged to report incidents related to human rights to the HR department or, where available, the workers' council and the equal opportunities officer. No incidents were reported in 2023.

In the case of reported incidents, corrective actions are initiated in consultation with the HR department and in compliance with local laws. The identity and well-being of employees who report on the violation of any law or regulation of the Company, on any activities that are against the interests of the Company, or on any matter likely to harm any other person are protected by the Company's corresponding global procedure. X-FAB operates a no-retaliation policy for those individuals.

Employee statistics

At the end of 2023, X-FAB had around 4,700 employees worldwide at six different manufacturing sites in Europe, Asia, and the USA. At all of its sites, X-FAB's recruitment policy is based on the employee's qualifications and the Company's requirements. Consequently, different requirement profiles exist in technology and operations-related positions.

More than half of X-FAB's staff is located in Europe.

Location	Absolute # of employees	Percentage of male employees [%]	Absolute # of male employees	Absolute # of female employees	Percentage of female employees [%]
North America	549	71.0	390	159	29.0
Europe	2,635	75.3	1,983	652	24.7
Asia	1,494	65.5	978	516	34.5
TOTAL	4,678	71.8	3,351	1,327	28.4

Fig. 6.16: Number of employees (excluding trainees) by region and gender at the end of 2023

In line with the strong demand in semiconductors the number of employees increased from 2022 to 2023 by 307. The growth in the number of full-time equivalent employees (FTEs) was realized with a strong focus on X-FAB's internal employee referral program as well as X-FAB's presence on social media.

In particular, X-FAB is aiming to increase its share of female employees. The share of female employees is steadily increasing in all regions X-FAB is operating in. It increased from 27% in 2020 to 28% in 2023. There was, however, slight reduction compared to the previous year (28.6% in 2022 vs. 28.4% in 2023) as a result of hiring of a higher number of male employees in 2023.

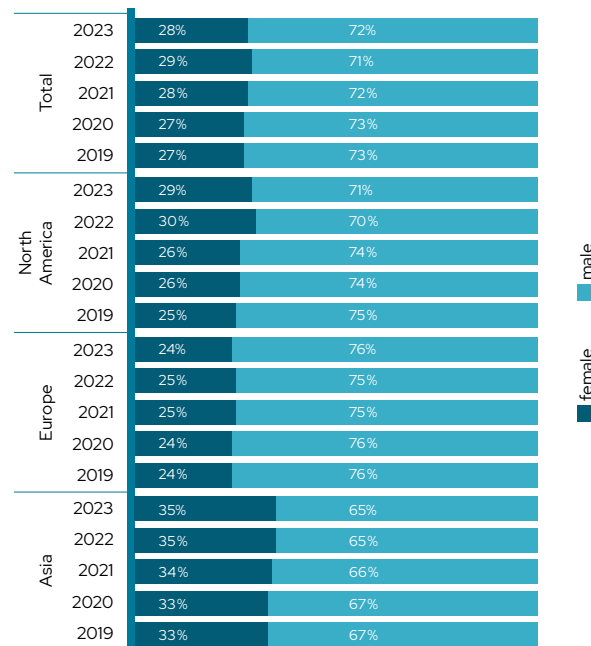


Fig. 6.17: Share of male and female employees by region 2019-2023

Employees’ rights and working standards are highly valued at X-FAB. Consequently, all arrangements comply with corresponding national laws and requirements. X-FAB employees with a full-time contract, which applies to 95% of all employees, work between 35 and 40 hours per week. 94% of employees hold a permanent employment contract. Less than 1% of staff are contract workers.

The full “Flex@work” policy was deployed during the coronavirus pandemic at all X-FAB locations, so that, where practical, employees were able to work from home and were provided with the technical requirements for remote work. After the end of the coronavirus-related restrictions, X-FAB introduced a Work from Home policy at all X-FAB sites as a permanent method of working if the nature of the work allows such a model.

In 2023 the number of part-time contracts increased slightly, primarily attributable to an increase in the number of part-time male employees.

Location	Gender	Temporary/ fixed term	Permanent employees	Contract workers	Trainees/ internships	Full-time	Part-time
North America	Male	0	374	16	0	384	6
	Female	0	144	15	0	157	2
Europe	Male	175	1,806	2	115	1,870	113
	Female	53	598	1	23	527	125
Asia	Male	29	949	0	0	878	0
	Female	24	492	0	0	516	0
TOTAL	Male	204	3,129	18	115	3,132	119
	Female	77	1,234	16	23	1,200	127

Fig. 6.18: Employment contracts by type, region, and gender as at year end 2023

Approximately 98% of all employment contracts in Europe are covered by collective bargaining contracts. In 2023 X-FAB established one common collective bargaining agreement for all German sites. In France a new collective bargaining agreement was implemented and went live in January 2024. In other regions of the world this concept is not common, and therefore, there are no collective bargaining agreements in place.

In 2023, 803 new employees were hired, 73% of whom were male and 27% were female. The majority of newly hired employees are younger than 35 years. The average 12-month turnover rate in 2023 was 4%, down from 5% in the previous year.

Location	Gender	<35 yrs	36–50 yrs	51–60 yrs	> 60 yrs	Total
North America	Male	64	15	8	2	89
	Female	28	11	2	1	42
Europe	Male	254	89	15	1	359
	Female	74	24	8	0	106
Asia	Male	128	14	0	0	142
	Female	58	7	0	0	65
TOTAL	Male	446	118	23	3	590
	Female	160	42	10	1	213

Fig. 6.19: Newly hired employees (including contract workers, excluding trainees) by age and gender in 2023

Location	Gender	<35 yrs	36–50 yrs	51–60 yrs	> 60 yrs	Total
North America	Male	21	6	2	1	30
	Female	10	0	1	1	12
Europe	Male	209	47	22	28	306
	Female	74	20	5	10	109
Asia	Male	28	11	1	0	40
	Female	11	8	0	0	19
TOTAL	Male	258	64	25	29	376
	Female	95	28	6	11	140

Fig. 6.20: Number of employees (excluding trainees and retirements) who have left X-FAB in 2023 by age and gender

X-FAB conducts an employee engagement survey, referred to as the Barometer, on a regular basis. The results of the most recent survey conducted in 2021 indicated some areas for improvement. In response, X-FAB management has established local action teams who continued their work throughout 2023. As a result, several initiatives have been launched in the areas of training and development, benefits, communication, and leadership.

Average employee ages vary across the Group's locations, ranging from an average of 37 years in Asia to an average of 44 years in North America. There was an overall decrease in average age compared to 2022.

Location	Average age of all employees	Average age of male employees	Average age of female employees
North America	43.0	43.0	41.0
Europe	41.1	41.0	41.0
Asia	36.8	37.8	34.9
TOTAL	40.6	40.9	39.0

Fig. 6.21: Average age by location and gender in 2023

X-FAB is aware of the importance of fair payment. Therefore, all employees receive salaries above the minimum wage according to individual qualification irrespective of gender or age. Based on specific local laws and regulations the relevant employees have the opportunity to inform themselves about the equal pay policy of X-FAB by benchmarking their payment against a relevant group of employees. Of all employees who were on parental leave, nearly 100% returned to X-FAB.

Developing excellence

The success of a company, and thus also X-FAB, depends on whether its employees are able to optimally contribute their individual strengths, which consequently need to be identified and individually developed. The required expertise includes solid knowledge and understanding of X-FAB's internal procedures and production processes as well as job-specific knowledge, all of which are part of the introductory training plan for each new employee.

In 2022 X-FAB introduced LinkedIn Learning licenses for all employees for private and professional use. In 2023 X-FAB globally executed campaigns via LinkedIn Learning on several topics, such as diversity and inclusion, feedback culture or work safety. In addition to the global campaigns and based on the yearly training needs analysis, specific training was recommended on the e-learning system. For individuals who have no direct access to a computer, X-FAB offers private areas with access to undertake relevant training in each location.

To strengthen individual development and drive performance improvement, X-FAB extended and improved the performance management process (PMP) via SAP SuccessFactors. It is based on constant

feedback from supervisor to employee on performance and goal achievement. This standardized global process allows X-FAB to ensure that every employee is aware of his or her individual goals as well as the goals of the department, the site, and the Company.

For a high level of environmental and social awareness, company values, quality awareness, and employee rights are highlighted from the beginning of the working relationship at X-FAB. In June 2023, a LinkedIn Learning campaign was launched on sustainability to raise employees' awareness for X-FAB's sustainability goals in the area of innovation, diversity and inclusion, water consumption and carbon emission.

Enabling employees to be promoted to positions with either higher technical or staff responsibility requires constant development in different areas. To ensure global knowledge transfer and continual development of all employees, internal workshops, training sessions, Lunch & Learn sessions, knowledge networks, and webinars on various technical topics are incorporated into the daily work of every X-FAB employee. Hybrid or purely virtual meetings became a normal way of communicating during the pandemic, while there was also a return to more face-to-face meetings in 2023. The average number of training hours per employee decreased compared to 2022. Increasing online or e-learning is expected to result in more on-the-job training and less classroom training.

Location	Gender	<35 yrs	36-50 yrs	51-60 yrs	> 60 yrs
North America	Male	24	24	24	12
	Female	24	24	24	12
Europe	Male	21	26	16	18
	Female	26	28	16	10
Asia	Male	23	20	20	0
	Female	23	14	20	0

Fig. 6.22: Average training hours (excluding e-learning) per year and employee in 2023

In 2023 X-FAB launched a Global Leadership Program (GLP) tailored to establish a common company-wide understanding of culture and leadership based on X-FAB's core values. To strengthen a new leadership mindset, X-FAB leaders from all over the world participate in a unique program, which is composed of four modules:

- Purpose
- Business Ethics
- Developing High Performance Teams
- Disruptive Innovations, Strategy and Modern Corporate Governance

In 2023, 162 leaders participated in at least one module of the Global Leadership Program.

To focus X-FAB's leadership team on future goals and to establish constant exchange and networking, a Global Leadership Conference (GLC) was held in Leipzig, Germany, in August 2023. 82 leaders from all X-FAB locations participated in the three-day event and discussed strategic direction as well as culture and leadership topics. The GLC will be established as a biannual event alternating with X-FAB's Technology Conference.



Fig. 6.23: Images from the first X-FAB Global Leadership Conference in Leipzig, Germany

To support the career of X-FAB's technical experts and to acknowledge that technical and management expertise make contributions to the organization that are equally important, X-FAB has established a system of human capital management. An important part of that is X-FAB's Technical Ladder. It enables visionary technical leadership and expertise, and supports recruitment, individual development, and retention of talented people in a competitive employment market, acknowledging the highest levels of technical expertise. In 2023 X-FAB promoted 20 technical experts to a global grade Member Technical Staff (MTS) or Senior Member Technical Staff (SMTS) on the Technical Ladder. This not only shows that more and more of the Company's experts work on global projects, but it also stands for the broad technical knowledge base X-FAB has.

To keep up with the fast development within the high tech area, X-FAB supports innovation – being one of the company values – and participates in publicly funded projects. In those projects, X-FAB enables technical experts to conduct research and to propel state-of-the-art technologies by proving feasibility of new concepts or the industrialization of innovative process technologies. Innovation is appreciated by X-FAB, and technical experts are explicitly invited and encouraged to publish their findings in international journals and to file patents. As at year end 2023 X-FAB's overall patent portfolio amounts to approximately 460 patents and patent applications.

Besides the development of its existing staff, X-FAB is highly interested in offering a wide range of opportunities to potential future employees, for example via apprenticeships, internships, and student training. This comprises commercial and technical

careers, dual study programs, and financial support for employees who enhance their skills and knowledge by obtaining relevant qualifications.

X-FAB also offers dual study programs in Germany, France, and Malaysia, which combine theoretical sessions and practical work, allowing students to integrate these skills into their future working life from the beginning of their studies. Apprenticeships offered by X-FAB to young talents cover commercial as well as technical careers. In Germany and France more than 140 apprentices are currently undertaking their first, second, or third year of VET (vocational and educational training).

The focus of X-FAB's employer branding activities in 2023 was on establishing local job-specific campaigns in each location, such as, for example, a campaign targeted at recruiting maintenance technicians in France or operators in Erfurt. A specific Instagram account with regular updates was launched and every quarter an employee-focused story is posted on the corporate LinkedIn account.

Rewarding efforts

As an international company, X-FAB employs people from many different regions around the world with different ethnic origins and social backgrounds, resulting in a broad range of individual needs. Being aware of those needs and driven by the responsibility for the Company's staff as well as the aim of long-term employment, X-FAB strives to meet those needs. Nowadays, the modern world demands a high level of self-responsibility and flexibility, especially for working parents and those with responsibilities for caring for the elderly. Therefore, X-FAB offers flexible working time models and strives to find individual working time solutions for its employees. X-FAB now offers a full "Flex@Work" approach by offering mobile working wherever the tasks are suitable for remote work.

X-FAB grants leisure time for private matters, such as moving and marriage, and supports working parents financially in case of their children's illness. As part of collective bargaining agreements, German employees above a certain age are offered the possibility to reduce their weekly working hours, if appropriate. The flexibility to start and end the working day at variable times at X-FAB's Asian site was a benefit that was well perceived to balance personal and private matters. Moreover, X-FAB's company pension scheme supports its employees financially after their transition to retirement.

X-FAB cares about its employees' increased health awareness and growing interest in an active way of life. To help employees stay healthy, X-FAB supports a variety of activities at various locations, such as internal sports groups, football teams, and running groups, as well as reduced rates for fitness clubs. Employees are also offered trial classes at fitness clubs, as well as fitness and health checks.



Fig. 6.24: X-FAB Dresden employees at the Rewe Team Challenge

Work environment

X-FAB is interested in a good working atmosphere for its employees and strives at providing a pleasant and inspiring working environment. Cafeterias, lunchrooms, and subsidized meals are offered to employees. Furthermore, chill-out rooms and staff rooms with magazines, internet access, and free nonalcoholic drinks are available to support employees during their work breaks. In several locations the breakout rooms for shift personnel have been updated and refurbished. In Corbeil-Essonnes and in Erfurt, outside seating areas were implemented which can be used during break hours.

X-FAB continues to improve the environment and quality of the local cafeterias for the well-being of the employees. At the site in Erfurt a new cafeteria concept was created in 2023 and will be implemented soon. During weekends as well as night shifts X-FAB staff have the opportunity to use the cafeteria and breakout rooms.

X-FAB rewards outstanding employee performance with incentive payments during the year and in the form of bonuses. Both individual employees and teams who undertake extraordinary efforts for X-FAB's benefit are acknowledged by the Company's corporate management.

6.3.2 Social commitment

X-FAB encourages its employees to engage in nonprofit and educational activities that contribute to the communities X-FAB is active in. Across several sessions, each employee is trained in the company values with the implementation of those values in everyday work life being recorded in a learning management system (LMS) aiming at personal development. Eventually, this leads to even more innovation and higher ethical standards, which also has a positive impact outside the working environment. In 2023 a monthly campaign via the e-learning platform LinkedIn Learning on IT security, lean principles, diversity and inclusion, etc. was implemented to raise awareness of specific topics. This will be continued in 2024.

Social awareness and responsibility

X-FAB identified opportunities for global and local activities that contribute to the communities in which X-FAB is operating. X-FAB has also raised money to

support local programs as well as international charity organizations, such as United Way Worldwide. In February 2023 X-FAB donated EUR 10,000 to the UNHCR to help the victims of the devastating earthquake in Syria and Turkey. All our employees were encouraged to donate individual funds to respective charities in their countries.

In December 2023, X-FAB hosted its traditional Christmas donation campaign. For each click on the Company's Christmas webpage, X-FAB donated USD 0.25. The campaign raised EUR 2,500. In 2023, employees at the Erfurt site were asked to vote for a local charity to which the money should be donated and decided on an Erfurt-based parents' initiative for children suffering from cancer and leukemia. The charity was established 30 years ago and supports a child care center at the Helios hospital in Erfurt specializing in oncology.



Fig. 6.25: Dr. Gabriel Kittler, Site CEO Erfurt, handing over the donation from X-FAB's Christmas donation campaign

Blood donation is one of the most important activities for making a direct personal contribution. X-FAB supports such collective efforts by organizing regular blood donation campaigns several times a year. For employees it is a matter of course to voluntarily support the Red Cross through blood donation. Due to the pandemic regulations all blood donations were put on hold but will be activated as soon as it is possible.

X-FAB also supports sports events with a charity background by enabling its employees to attend these events. This not only helps to increase team spirit but also supports local organizations and sports clubs.



Fig. 6.26: X-FAB Sarawak employees at a local charity run for autism

Educational awareness and responsibility

X-FAB places a high importance on investing in the education and skill development of children and young people as the next generation and does this by sponsoring books and other educational material for use in kindergartens, supporting lectures at universities (e.g. providing design courses in engineering schools), investing in education competitions, and organizing summer schools ("Microchip Summer University"). To provide opportunities for practical training and work experience in technical fields, X-FAB offers internships to high school and university students and also offers students company tours on request. In 2023, three international students participated in X-FAB's international internship program. These students completed their internships at different X-FAB locations.

Besides its sponsoring activities, X-FAB maintains close relations with high schools, colleges, and universities to support students by offering internships and career guidance. X-FAB also works with local universities and supported the SEMI High Tech University for high school graduates in the USA considering a future career in a science, technology, engineering, or mathematics (STEM) field. In 2023 39 students (20 female and 19 male) successfully completed their course at X-FAB.



Fig. 6.27: Students from SEMI High Tech University in Lubbock

Back in 2019, X-FAB France was the only French semiconductor company invited to participate in a Pan-European project, funded by the European Commission, called METIS (microelectronics, training, industry, skills). As part of the ERASMUS+ consortium, which consists of over 30 participating parties from industry, education, university, and training, X-FAB actively contributes to the success of the program. In

2023 X-FAB continued to participate in several activities within the program and will continue to work in this project until 2024.

Various scientific and engineering competitions are supported either by providing knowledge to the participants or by serving as judges, e.g. at the student robotics competition. X-FAB works with many global and local partners to improve educational opportunities for children and young people, e.g. by supporting corresponding technical clubs. Besides the educational responsibility towards society, X-FAB cares about gender equality and the development of girls in STEM jobs.

In addition, each X-FAB site participates in college and university career fairs in order to recruit interested students and to provide information about career opportunities. Besides its presence at job fairs, X-FAB also participated in numerous technical exhibitions and conferences to offer its employees the possibility to gain and exchange professional knowledge and to network. At the beginning of 2023 most of these events were held in person, which helps to build personal relationships with potential customers and employees.

X-FAB developed a social media campaign to serve customers as well as the general public.

6.3.3 Healthy work environment

Employees' well-being and safety

X-FAB ensures that all company activities are performed in a manner that considers the health and safety of employees, contractors, suppliers, customers, and the general public with no adverse impact on the environment through manufacturing operations and products by operating an EHS management system that is certified according to ISO 14001:2015.

Education and training to improve employees' EHS awareness, safety, and well-being is critical for X-FAB. Regular safety-related training and instruction help to avoid accidents and injuries. Each location has an associated company doctor performing routine medical examinations, such as eye examinations, vaccinations, travel-related medical consultations, etc. Security personnel (internal and outsourced) are also trained in company policies.

Additionally, periodic safety briefings are performed and a global EHS week program has been established. At the annual EHS week, information about health protection, safety, sustainability, and environmental topics is offered to all employees via information desks, posters, and other events. Company tours offered by coworkers are designed to increase employees' awareness of hazards in the workplace and several training sessions are offered to improve their skills in first aid and firefighting. Furthermore, a variety of fitness activities and trial lessons as well as fitness and health checks are offered to employees. In addition to these dedicated training sessions and

events, information on environmental and quality awareness is provided and made accessible to all employees via the company intranet.

At all X-FAB locations, accidents are tracked according to local laws but there is no globally harmonized procedure to collect additional information related to accidents or occupational diseases. However, X-FAB tracks accidents in the operations department the same way at all manufacturing locations.

Based on this information, X-FAB recorded 48 accidents in 2023, which caused 3,757 work hours lost, resulting in a frequency rate of 7.70 and a severity rate of 75.36.

Safety improvement programs that took place in 2023:

- improved storage and delivery of KOH (potassium hydroxide) intermediate bulk containers (IBCs) using electric pallet lifters to reduce the risk of leakage and increase work safety by eliminating manual handling of heavy IBCs (Dresden);
- replacement of old PVC pipes with PP and PE pipes and installation of secondary containment and housing of NaOH (sodium hydroxide) mixing station (Dresden);
- elimination of personnel exposure to arc flash/arc blast boundary by using a remote electrical switching actuator allowing staff to actuate electrical switch gear from 15 meters away (Lubbock); and
- safety wall for safety-related communication, safety awareness and training, etc. (Lubbock).

Hygiene concepts for cleanrooms

At each of X-FAB's production sites, a large share of employees work in cleanroom environments where the use of rubber gloves, special clothes, and shoes is a requirement. It is necessary to avoid particle and ion contamination or electrostatic discharge as it would negatively impact the functionality of the semiconductor products manufactured. X-FAB aims to prevent any medical harm as well as ensure a safe working environment and employees' well-being. X-FAB has therefore established cleanroom concepts to maintain a high level of hygiene and health including specific protection plans. For example, to prevent skin diseases, there is a skin protection plan in place with skin care products available at any time for each employee. For orthopedic reasons, cleanroom shoes are individualized and ergonomic. Cleanroom clothes are partially personalized. Ear plugs are available for noise protection.

Preventive maintenance

Maintenance activities are the basis for the safe operation of equipment and tools. To prevent equipment malfunctions and failures X-FAB uses a global procedure to manage a preventive maintenance system. Even though the system's focus is on securing the productivity of the equipment, operational safety is

one of the objectives covered. The proper execution of the global procedure is ensured with the use of local instructions, which govern the preventive maintenance regime for each production site. The maintenance instructions and schedule include information based on vendor manuals, experiences during operation, tool performance parameters, major incidents, product quality, and audit findings. Furthermore, two types of preventive maintenance actions exist: actions triggered by a time interval, and actions triggered by reaching special tool parameters describing the current tool wear.

Taken together, this helps to ensure that the overall tool status remains excellent and to prevent accidents caused by machine malfunctions such as electrical hazards, leakage of dangerous materials, or mechanical issues.

6.4 Governance

Further information on corporate governance can be found in section 7 of the annual report.

6.4.1 Anti-corruption and bribery

X-FAB's business practices follow the principles of fair competition with particular focus on professional behavior. X-FAB respects consumer interests by abiding by regulations that protect consumers, and by using appropriate sales, marketing, and information practices in accordance with the ICC International Code of Advertising Practice and the OECD Guidelines for Multinational Enterprises.

In particular, X-FAB rejects corruption and bribery as stated in the relevant UN Convention against Corruption from 2003, and promotes transparency, trading with integrity, responsible leadership, and company accountability.

In order to prevent corruption, X-FAB is aiming for an increased awareness from its employees through comprehensive and repetitive sessions on the company values and strict regulations as outlined in the company handbook. These sessions are attended by all employees and emphasize the corporate values, such as integrity and respect, as well as X-FAB's code of conduct. Training is organized at least once every two years, and every employee is required to attend. New employees are provided with special initial training during their on-boarding. An Ethics and Conflict of Interest policy is part of X-FAB's code of conduct. Furthermore, anti-corruption is mentioned in the Company's rules and handbooks, which are part of each employment contract. Concerns about unethical behavior are reported either via the workers' council or directly to Human Resources.

As an alert system to confidentially report any violation, in 2018 X-FAB installed a Whistle Blower policy, which was disclosed to all employees globally. All employees worldwide can report incidents anonymously in their

native language. All reports are treated confidentially, and there is a strict no-retaliation policy.

No incidents were reported in 2023.

Ethics training is provided to all employees. In addition to regular training and as part of the newly introduced framework of the global leadership program, a dedicated module deals with all relevant information on the topic "business ethics." At the start of employment with X-FAB, each new employee receives a copy of the work regulations, which comprise policies on harassment prevention and the acceptance of gifts, and include a definition of infractions that lead to legal actions such as contract termination. Actions taken in response to incidents of corruption comprise all legal actions according to the corresponding national laws. In addition to following all national laws regarding ethical and anti-corruption behavior, X-FAB does not influence politics, neither by participating in political activities nor by donating to or supporting parties in elections.

6.4.2 X-FAB's supply chain

As a manufacturer of a large variety of products, X-FAB relies on a number of suppliers. It is part of the Company's corporate ethics to strive for long-term partnerships with its suppliers. The selection and auditing of suppliers is carried out by means of a global, cross-site procedure valid for all X-FAB sites. Part of this procedure is a classification of suppliers, based on, among others, the supplied quantity as well as the frequency of supply: tier 1 suppliers, strategic suppliers, and all others that do not qualify for one of the two categories. In order to be approved as a new supplier, depending on the categorization, the supplier has to pass a process audit according to the requirements of the automotive standard VDA 6.3 (the German Association of the Automotive Industry) and answer various questions, including on environmental and governance topics. The existence of an environmental management system and compliance with RoHS or REACH are important criteria for X-FAB during the selection process for new suppliers

6.4.2.1 Selection and categorization of X-FAB suppliers

X-FAB has implemented and maintains a supplier selection and monitoring process which is compliant with the quality management system standards ISO 9001 and IATF 16949 as well as with the environmental management system standard ISO 14001. Suppliers of strategic materials are requested to confirm compliance with X-FAB's list of banned substances and have to provide transparent information regarding their quality and environmental management systems as well as with respect to the composition, sources, and environmental impact of the supplied materials. Those aspects are intensively checked and validated

by X-FAB's supplier quality management and procurement organization before any new strategic material or supplier is released. This is done via on-site audits and contractual agreements. After the initial release, which has to be authorized by a multidisciplinary team, the compliance of suppliers with the relevant requirements and their overall performance with respect to X-FAB's objectives are continually monitored by X-FAB.

Requirements to qualify as an X-FAB strategic supplier
<ul style="list-style-type: none"> • Certified quality management system according to ISO 9001 • Certified environmental management system according to ISO 14001 • Demonstration of compliance with quality management system in line with the requirements of IATF 16949 • Commitment to a code of conduct, e.g. ZVEI Code of Conduct, Ten Principles of UN Global Compact, or equivalent • Conflict minerals reporting if applicable

X-FAB has a global approach towards sourcing of main supplies to run the factories, and therefore local suppliers are only taken into account if they meet the high quality standards.

6.4.2.2 Audits and continual improvement of suppliers

X-FAB stores all certificates and completed questionnaires from its suppliers in a database that is accessible for stakeholders at all X-FAB sites in order to improve the harmonization and standardization of supplier management. The most important suppliers are subject to a supplier assessment once a year. If X-FAB's requirements are not met by at least 85%, the supplier must submit proposals for improvement actions to stay under contract with X-FAB. In addition to these annual assessments, a regular audit exists to verify the existence of a management system in compliance with the defined requirements.

In 2023, supplier audits according to the quality management system standards ISO 9001, IATF 16949, and VDA 6.3 for process audits have been performed by X-FAB's supplier quality management organization at 11 different suppliers for strategic materials (e.g. chemicals, equipment, gases, wafers) or services, three located in the United States, five in Europe, and three in Asia. These audits also focused on environmental, governance, and other aspects according to X-FAB's standards.

Supplier	Category	Location	Audit type and result
Supplier 1	Equipment	Germany	Supplier audit / rating A
Supplier 2	Wafers	United States	Supplier audit / rating A
Supplier 3	Wafers	United States	Supplier audit / rating A
Supplier 4	Wafers	Japan	Supplier audit / rating A
Supplier 5	Wafers	United States	Supplier audit / rating A
Supplier 6	Wafers	South Korea	Supplier audit / rating A
Supplier 7	Subcontracting	Germany	Supplier audit / rating A
Supplier 8	Sputtering targets	Germany	Supplier audit / rating A
Supplier 9	Subcontracting	Japan	Supplier audit / rating A
Supplier 10	Subcontracting	Germany	Supplier audit / rating A
Supplier 11	Chemicals	France	Supplier audit / rating A

Fig. 6.28: Supplier audits performed by X-FAB in 2023

Supplier Corrective Action Requests (SCAR)

In 2023, in total, 20 SCARs had to be issued to various suppliers, the majority of which were not critical to the continuity or quality of the wafer manufacturing processes at X-FAB or the products of the Group's customers. However, all SCARs have been tracked and the effectiveness of the defined corrective and preventive actions has been checked and validated by X-FAB's supplier quality management organization.

Engagement with non-compliance suppliers to reach compliance

In 2023, 12 new quality assurance agreements with suppliers of X-FAB have been implemented in order to ensure the suppliers' commitment to several key requirements with respect to quality and environmental management and other aspects. Furthermore, X-FAB actively supported various potential suppliers to achieve conformance to the X-FAB requirements for strategic suppliers.

To prove the financial sustainability of its suppliers, in 2022, X-FAB has established access to an international database that allows us to check the financial health of suppliers as well as their revenues. The aim is not only to ensure that very small suppliers are not in a situation of financial dependency towards X-FAB, i.e. X-FAB's business volume must not represent more than 25% of a supplier's revenue), but also to check the financial sustainability of some critical suppliers.

Furthermore, X-FAB has established a supplier award system to encourage its suppliers to continuously commit to environmental protection and social aspects. An annual "Supplier Excellence Award" is awarded to the best local supplier for each X-FAB site. The supplier with the highest value in the supplier assessment is nominated as "Supplier of the Year."

6.4.2.3 Handling of minerals from conflict regions (conflict minerals)

X-FAB is aware of the Dodd-Frank Act requirements regarding, among others, the sourcing of tin, tantalum,

tungsten, and gold from conflict regions and accepts its responsibility along the supply chain. Thus, X-FAB requests all its relevant suppliers to source minerals from regions that are conflict-free. The commitment of X-FAB suppliers to these requirements is documented in a central company database to ensure traceability and transparency.

X-FAB has issued a product declaration stating that to the best of its knowledge, X-FAB products do not contain materials that had been sourced from mines in conflict regions in the eastern region of the Democratic Republic of Congo. X-FAB does checks on smelters to ensure that they are certified conflict-free by comparing them against the list of compliant smelters on the Responsible Mining Alliance (RMA) website.

All strategic material suppliers for materials containing tungsten, tantalum, tin, and gold must complete the Conflict-Free Smelter Reporting Template according to an industry-benchmark reporting format, e.g. Responsible Minerals Initiative (RMI) or Conflict Material Reporting Template (CMRT).

X-FAB is also working with suppliers on other minerals disclosures. These include cobalt and mica reporting. Currently, X-FAB is working with suppliers to ensure sourcing from conflict-free cobalt smelters. X-FAB products do not contain mica.

6.4.3 Data security Customer data privacy

The protection of customer data is of the highest importance to X-FAB and all stakeholders and is critical to safeguarding X-FAB's reputation and brand. X-FAB does not currently apply a customer data deletion policy as the IATF automotive standard only allows deletion after at least 15 years of inactivity. X-FAB deactivates data records on request and has not received any customer complaints about data protection. X-FAB utilizes an email opt-out system for

customer data for hotline news, webinars, and customer surveys. These are maintained via various technologies, including the ERP system, survey, and email marketing tool, in an automated or semi-automated way.

Cybersecurity

In 2023, X-FAB IT prioritized safeguarding its infrastructure by implementing robust internet protection measures aimed to proactively prevent internet-borne threats from infiltrating X-FAB's computers and compromising sensitive data. Recognizing the evolving threat landscape and the need for comprehensive protection beyond the perimeter, X-FAB IT established a Secure Endpoint Management (SEM) strategy to secure X-FAB devices against various cyber threats. As employees are the front line of X-FAB, X-FAB IT ensures that employees do not fall prey to potential phishing attacks by conducting cybersecurity awareness trainings and phishing campaigns for employees.

By implementing these key initiatives in 2023, X-FAB IT significantly improved its overall IT security posture. Enhanced internet protection at the perimeter coupled with a comprehensive SEM strategy created a layered defense system, safeguarding the organization against a wide range of cyber threats. These activities are embedded in a long-term IT security strategy to ensure the stability and continuous improvement of all security measures. The commitment to cybersecurity not only protects valuable data and assets but also fosters a safer and productive work environment for all X-FAB employees.

6.4.4 X-FAB's responsibility towards its customers and society

In line with its EHS policy, X-FAB continually works on the reduction of its environmental impact via legal compliance and also promotes human rights values among suppliers and customers. It is X-FAB's policy to ensure that all purchased materials are compliant with current government and safety constraints on restricted, toxic, and hazardous materials and that all environmental standards, applicable to the country of manufacture and sale, are fulfilled.

X-FAB follows RoHS and meets the requirements of REACH. X-FAB thereby confirms that all its products are halogen-free and do not contain intentionally introduced lead (Pb), cadmium (Cd), mercury (Hg), hexavalent chromium (Cr6+), polybrominated biphenyl (PBB), polybrominated diphenyl ether (PBDE), bis(2-ethylhexyl) phthalate (DEHP), butyl benzyl phthalate (BBP), dibutyl phthalate (DBP), or diisobutyl phthalate (DIBP). Furthermore, RoHS and REACH-conformant safety data sheets are available for all X-FAB products and are accessible to every X-FAB customer on the Company's website. Finally, all products do not contain any of the substances in the ECHA (European Chemicals Agency) Candidate List of Substances of Very High Concern.

RoHS and REACH

RoHS is the short form of the "Directive 2011/65/EU of the European Parliament and of the Council of June 8, 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment." It aims to address the global issue of consumer electronics waste. It pertains to manufacturing of various types of electronic and electrical equipment without the use of six different hazardous materials. It is the responsibility of the company that puts the product on the market to comply with the directive. REACH stands for Registration, Evaluation, Authorization, and Restriction of Chemicals. The purpose of this European Union regulation is to address the production and use of chemical substances and their potential impacts on both human health and the environment. Whereas RoHS bans substances that are present in electrical equipment, REACH pertains to all chemicals including those used to make a product. This can include materials, solvents, paints, chemicals, and more.

There is a global procedure in place to control and avoid negative health and safety impacts, requiring that every X-FAB product is tested at every stage of development. In addition, all X-FAB products are inspected annually by an external laboratory for hazardous substances, and the Company's customers are informed about the results by means of product declarations.

It is part of the Company's ethics that products are not sold into countries that are listed on an embargo list for corresponding products. During 2023, X-FAB was compliant with laws in relation to this provision and the use of X-FAB products and did not have to pay any fines for violations.

6.5 EU taxonomy

The European Green Deal is a set of initiatives by the European Commission with the overarching objective for the EU to become climate neutral by 2050. In this context and in order to channel investments of the financial sector to more sustainable technologies and businesses, the EU has developed a common classification system, referred to as the EU taxonomy, which is aimed to provide guidance to companies, investors, and policymakers on which economic activities can be considered environmentally sustainable.

The Taxonomy Regulation (Regulation (EU) 2020/852) was published in the Official Journal of the European Union on June 22, 2020, and entered into force on July 12, 2020. The EU taxonomy defines specific performance criteria to assess an economic activity's contribution towards six environmental objectives: climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the

protection and restoration of biodiversity and ecosystems. Technical screening criteria 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 January 1, 2024, companies need to report on the eligibility and alignment of their activities regarding all six of the the environmental objectives. It is clear that semiconductors are essential to reach the goals of the European Green Deal and to reach carbon neutrality in 2050. In its current form, however, the EU taxonomy is unclear in many aspects with rules, regulations, and guidelines still under development. The following paragraphs describe X-FAB's approach based on the current status of the legislative framework.

Assessment by X-FAB

The EU taxonomy currently does not list an activity that specifically describes X-FAB's business. The activity that most closely describes X-FAB's business is activity 3.6, "Manufacturing of other low carbon technologies." However, it is clear that X-FAB is an enabler of technologies that significantly reduce energy consumption and greenhouse gas (GHG) emissions.

As a foundry, X-FAB does not always know the end market or end application in which its products will be used. To determine the eligibility under the taxonomy regulation, we have therefore made a classification of the technologies themselves. Our technologies contribute substantially to the stabilization of GHG concentrations consistent with the long-term temperature goal of the Paris Agreement, through the avoidance or reduction of GHG emissions or the increase of GHG removals, including through process and product innovations. By providing robust analog/mixed-signal CMOS processes, MEMS, and wide-bandgap semiconductors, X-FAB contributes to the creation of sustainable and energy-efficient products in various fields, such as mobility and the energy sector. Sensors and power devices improve the energy efficiency of electric vehicles and optimize the energy

use of the drivetrain. High-voltage technologies including silicon carbide support the transition to renewable energy by enabling the efficient generation, conversion, and storage of energy. While it is possible that our customers provide solutions for any of the other environmental objectives, based on the classification of our technologies, we can only assess the contribution to climate change mitigation. We therefore conclude that X-FAB has no taxonomy-eligible economic activities relating to any of the other five environmental objectives.

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 under this category, the activity needs to have the objective of enabling a substantial reduction of GHG emissions in another sector of the economy. Semiconductor manufacturing can therefore be a taxonomy-eligible activity where it enables another economic activity to make substantial GHG emission savings.

X-FAB has analyzed its activities by categorizing its technologies based on whether they are aimed at substantially reducing GHG emissions in another sector of the economy. For example, technologies that provide superior isolation for high voltages or technologies that, due to their material properties, offer the possibility of developing systems with maximum energy efficiency (e.g., wide-bandgap technologies) are deemed by X-FAB to be eligible under the taxonomy regulation.

An eligible activity must fulfil four basic criteria to be classified as **aligned**.

1. It must substantially contribute to at least one of the environmental objectives.

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. As a pure-play foundry, however, we do not have the necessary information from the end market to make such a complete lifecycle assessment. As a result of this, and the uncertainty relating to the DNSH criteria of pollution prevention and control, we classify our activities as non-aligned.

2. It must not significantly harm any of the other environmental objectives.

This criterion is put in place to avoid that activities qualify as environmentally sustainable in cases where the economic activities that benefit from those investments cause harm to the environment to an extent that outweighs their contribution to an environmental objective.

- *Climate change adaptation*: as part of its risk management, X-FAB regularly assesses the potential impact of disruptions both at its own or its suppliers' operations caused by severe weather conditions whose occurrence is increasing due to climate change. Water scarcity is another element related to climate change adaptation that is being monitored for all of X-FAB's manufacturing sites.
- *Sustainable use and protection of water and marine resources*: semiconductor manufacturing requires large quantities of water, in particular to rinse and clean the wafers during the manufacturing process to avoid their contamination with particles. Water is a valuable resource and X-FAB seeks to reduce its water consumption by means of higher tool efficiency and increased water recycling. Further details on this can be found in Section 6.2.2.2.
- *Transition to a circular economy*: several types of material are used in semiconductor manufacturing: water, gases, as well as chemicals such as solvents, resists, acids, or metals. The use of those materials is tightly controlled by material departments and waste commissioners established at each site. All waste is separated to reduce the amount of hazardous or non-recyclable waste. The majority of the waste is sent for recycling to recover valuable resources. X-FAB has an ongoing environmental objective of reducing waste, reducing the use of hazardous materials, and increasing the recycling rate. Further details on this can be found in Section 6.2.2.
- *Pollution prevention and control*: 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). X-FAB is, of course, very familiar with these legislative requirements and complies with them. 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 with the European Commission.
- *Protection and restoration of biodiversity and ecosystems*: the impact on biodiversity is minimized as all sites are located in industrial areas. None of the Group's sites is adjacent to nature reserves or similarly classified areas.

3. It must be carried out in compliance with certain minimum safeguards.

Article 18 of the taxonomy regulation requires companies to implement procedures to ensure the alignment of their activities with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organization on Fundamental Principles and Rights at Work and the International Bill of Human Rights. X-FAB respects consumer interests by abiding by regulations that protect consumers, and by using appropriate sales, marketing, and information practices in accordance with the ICC International Code of Advertising Practice and the OECD Guidelines for Multinational Enterprises. In particular, X-FAB rejects corruption and bribery as stated in the relevant UN Convention against Corruption from 2003, and promotes transparency, trading with integrity, responsible leadership, and company accountability. X-FAB's company ethics are based on universally held ethical values and principles, including respect of human dignity, openness, and nondiscrimination according to the ZVEI Code of Conduct. Consequently, X-FAB stands up for human rights as stated in the Charter of the United Nations. Sections 6.3.1, 6.4.1 and 6.4.2 of this Annual Report describe how X-FAB makes sure that it carries out its economic activities in an honest, responsible, and respectful way.

1. Turnover

To report turnover under this section, the definition of turnover in accordance with International Financial Reporting Standards (IFRS) is used.

Based on the above-described uncertainties and the current status of the legislation, X-FAB deems it prudent to report a 0% alignment.

2. CapEx

The Disclosures Delegated Act (Commission Delegated Regulation (EU) 2021/2178) defines CapEx. It covers additions to tangible and intangible assets during the financial year considered before depreciation, amortization and any remeasurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes.

The CapEx can be categorized into two types:

- a. **Technology CapEx:** CapEx that is part of a plan to expand our Taxonomy-eligible economic activities (Type B CapEx). The eligibility for the technology CapEx is based on the categorization of technologies as done for determining eligibility for turnover. For the same reasons as above, X-FAB deems it prudent to report a 0% alignment.
- b. **Facilities CapEx:** this CapEx relates to the purchase of individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions (Type C). It includes the following activities:
 - i. installation, maintenance, and repair of charging stations for electric vehicles in buildings;
 - ii. installation, maintenance, and repair of energy-efficiency equipment; and
 - iii. installation, maintenance, and repair of wastewater-related equipment..

3. OpEx

According to the Disclosures Delegated Act, OpEx covers direct non-capitalized costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant, and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets. X-FAB focuses on research and development costs since the other costs that could possibly fall within this definition are likely to be immaterial in comparison.

The proportion of eligible R&D activities has been determined by looking at the same categorization of technologies as done for determining eligibility for turnover. For the same reasons as above, X-FAB deems it prudent to report a 0% alignment.

The following tables provide the outcome of the analysis in the required format.

Economic Activities (1)	Code (2)	Absolute turnover (3) in k €	Proportion of Turnover (4) %	Substantial Contribution Criteria					
				Climate Change Mitigation (5) %	Climate Change Adaptation (6) %	Water (7) %	Pollution (8) %	Circular Economy (9) %	Biodiversity and ecosystems (10) %
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1. Environmentally sustainable activities (Taxonomy-aligned)			54%						
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%						
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Manufacture of other low carbon technologies		478,384	54%						
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		478,384	54%						
Total (A.1+A.2)		478,384	54%						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
Turnover of Taxonomy-non-eligible activities		411,797	46%						
Total (A+B)*		890,181	100%						

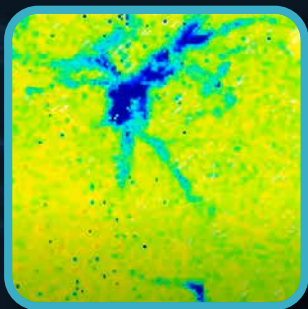
* The revenue for work-in-progress that is recognized over time under IFRS 15 is not included

				Substantial Contribution Criteria					
Economic Activities (1)	Code (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)
		in k €	%	%	%	%	%	%	%
A. TAXONOMY-ELIGIBLE ACTIVITIES			87%						
A.1. CapEx of environmentally sustainable activities (Taxonomy-aligned)									
Manufacture of other low carbon technologies (CapEx C)		3,699	1%	1%	0%	0%	0%	0%	0%
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		3,699	1%	1%	0%	0%	0%	0%	0%
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned)									
Manufacture of other low carbon technologies (CapEx B)		289,230	86%						
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		289,230	86%						
Total (A.1+A.2)		292,929	87%						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
CapEx of Taxonomy-non-eligible activities		44,860	13%						
Total (A+B)		337,789	100%						

DNSH criteria (‘Does Not Significantly Harm’)						Minimum Safeguards (17)	Taxonomy aligned proportion of total CapEx, Year N (18)	Category (enabling activity) (20)	Category (transitional activity) (21)
Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)				
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%		
							1%		
Y	Y	Y	Y	Y	Y	Y	1%	0%	0%

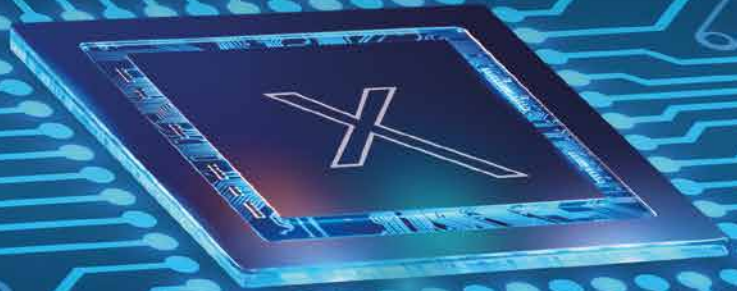
				Substantial Contribution Criteria					
Economic Activities (1)	Code (2)	Absolute OpEx (3) in k €	Proportion of OpEx (4) %	Climate Change Mitigation (5) %	Climate Change Adaptation (6) %	Water (7) %	Pollution (8) %	Circular Economy (9) %	Biodiversity and ecosystems (10) %
A. TAXONOMY-ELIGIBLE ACTIVITIES			40%						
A.1. Environmentally sustainable activities (Taxonomy-aligned)									
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%						
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned)									
Manufacture of other low carbon technologies (OpEx B)		18,946	40%						
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		18,946	40%						
Total (A.1+A.2)		18,946	40%						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
OpEx of Taxonomy-non-eligible activities		28,245	60%						
Total (A+B)		47,191	100%						

With the help of organ-on-a-chip applications, living brain cells can be tested directly on microchips outside the human or animal body. With the help of our biosensors, high-resolution observations of interactions between the cells can be made. In drug research, this enables ethically responsible and very precise efficacy testing of certain active substances, e.g. for the treatment of Alzheimer's or Parkinson's disease.



HEY CHIP, CAN YOU MAKE MEDICAL RESEARCH MORE ETHICAL?

**YES, I CAN TEST HUMAN
CELLS DIRECTLY ON
A CHIP - WITHOUT
EXPERIMENTING ON
ANIMALS.**



7. CORPORATE GOVERNANCE STATEMENT

The Royal Decree of May 12, 2019 (published in the Belgian Official Gazette on May 17, 2019) designated the Belgian Corporate Governance Code 2020 as the reference code for Belgian listed companies. This Code is available for download on the website of the Belgian Corporate Governance Committee (www.corporategovernancecommittee.be).

In view of the “comply-or-explain” principle of the Code, section 7.12 gives an overview of the provisions of the Belgian Corporate Governance Code 2020 that X-FAB does not comply with, along with an explanation of the reasons for non-compliance.

X-FAB's Corporate Governance Charter is in alignment with the 2020 Code on Corporate Governance. The Corporate Governance Charter can be consulted on the “Investors” page of the Company's website.

7.1 Shareholders

X-FAB seeks to guarantee transparent and clear communication with its shareholders. Active participation of the shareholders is encouraged by X-FAB.

In order to achieve this goal, shareholders can find important and relevant information on X-FAB's website. X-FAB publishes its annual reports, half-year reports, statutory reports, quarterly results, and financial calendar on its website in the “Investors” section. X-FAB realizes that the publication of these reports and information benefits its trust-based relationship with its shareholders and other stakeholders.

Furthermore, X-FAB is committed to guaranteeing shareholder rights.

- At the Shareholders' Meeting, the Chairman will lead the meeting in such a manner that there will be sufficient time to answer questions that shareholders may have relating to the annual report, special reports, and/or the items on the agenda.
- At the latest 30 days prior to the general meeting, the agenda and other relevant documents are published in different locations including X-FAB's website and the Belgian Official Gazette.
- Shareholders representing at least 10% of the share capital have the right to add items and/or resolution proposals to the agenda.

- During the general meeting, shareholders have the right to vote on each item on the agenda. If they cannot attend the general meeting, they have the right to appoint a proxy.
- The minutes of the general meeting with the voting results will be kept in a special register after the general meeting.

Chapter 8 shows the shareholder structure of X-FAB based on the transparency notifications received.

7.2 Management structure

X-FAB has opted for a “one-tier” governance structure whereby the Board of Directors is the ultimate decision-making body, with overall responsibility for the management and control of the Company. The Board of Directors is vested with the power to perform all acts that are necessary or useful for the realization of the Company's purpose, except for those actions that are specifically reserved by law or the Articles of Association to the shareholders' meeting or other management bodies. As such, the Board, among others, defines the general policy orientations, decides on major strategic, financial, and operational matters, and oversees the management.

The Board has established committees (an Audit Committee and a Remuneration and Nomination Committee) to analyze specific issues and advise the Board on those issues. The decision-making power remains within the responsibility of the Board of Directors itself.

The daily management of X-FAB has been delegated by the Board of Directors to the Chief Executive Officer, Sensinnovat BV, permanently represented by Rudi De Winter, who can represent the Company with his sole signature within and outside the framework of the daily management. For actions that fall outside the scope of the daily management, X-FAB is also validly represented by two directors acting jointly.

The Chief Executive Officer is the chairman of the Executive Management. The Executive Management is responsible for leading X-FAB in accordance with the global strategy, values, planning, and budgets as set out and approved by the Board of Directors. The Executive Management is also responsible for screening the various risks and opportunities that the Company might encounter in the short, medium, or longer term, as well as 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 15 of X-FAB's Articles of Association, the Board of Directors consists of at least five members. At least three members should be independent in accordance with Article 7:87 BCCA. As of the date of this annual report, the Board of Directors comprises nine members, three of which are indeed independent. At least half of the Board of Directors consists of non-executive members, and there is at least one executive member. Independent directors qualify as non-executive directors.

The term of office of directors under Belgian law is limited to six years (renewable) but the Corporate Governance Code recommends that it be limited to four years. Directors of X-FAB are appointed for a

period of four years by the majority of the votes cast at the general meeting, after having received a recommendation of the Remuneration and Nomination Committee. In the same way the general 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 BCCA.

The Chief Executive Officer is the only member of the Board of Directors that has an executive mandate. The Chair of the Board is Tan Sri Datuk Amar Dr. Hamid bin Bugo.

The composition of the Board of Directors already takes into account Article 7:86 BCCA which requires that one third of its members have to be of a different gender.

The directors of X-FAB are:

Name	Age	Mandate expires	Position
Dato Sri Dr. Wan Lizozman bin Wan Omar	59	2026	Non-executive director
Sensinnovat BV (Represented by Rudi De Winter)	63	2025	Managing Director, CEO
Roland Duchâtelet	77	2025	Non-executive director
Thomas Hans-Jürgen Straub	69	2025	Non-executive director
Tan Sri Datuk Amar Dr. Hamid bin Bugo	78	2025	Non-executive director (Chair)
Aurore NV (Represented by Christine Juliam)	63	2026	Non-executive and independent director
Christel Verschaeren	59	2025	Non-executive and independent director
Estelle Iacona	51	2025	Non-executive and independent director
Vlinvlin BV (Represented by Ling Qi)	53	2027	Non-executive director

Sensinnovat BV is represented by Rudi De Winter. Mr. De Winter joined X-FAB in 2011 as Co-CEO and became CEO in 2014. Between 1996 and 2011 he served as the Chief Executive Officer and Managing Director of Melexis NV. Prior to that date, Mr. De Winter served as a development engineer at Mitec Alcatel (Belgium) from 1984 to 1985 and as a development manager at Elmos GmbH (Germany) from 1985 to 1989. In 1990, Mr. De Winter became director together with Mr. Duchâtelet of XTRION NV, the parent company of X-FAB until November 14, 2023. Mr. De Winter holds a degree in electronic engineering from the University of Ghent.

Throughout his career, Roland Duchâtelet has founded several companies and has organized approximately 50 acquisitions or sales of companies. He has been active in the internet business since 2000 and was a member of the Belgian Senate from 2007 to 2010. Mr. Duchâtelet holds degrees in electrical engineering and applied economics from the University of Leuven and obtained an MBA from the same university.

Thomas Hans-Jürgen Straub has more than 30 years of experience in the management of semiconductor companies. From 1982 to 1990, Mr. Straub served as Head of Central Planning at the Kombinat Mikroelektronik in Erfurt. Thereafter, Mr. Straub was a member of the managing board of PTC Electronic AG, a holding company that managed 18 subsidiaries. From 1991 to 1999, Mr. Straub served as president of several companies, including Mikroelektronik und Technologie-Gesellschaft mbH, Dresden and Thesys Gesellschaft für Mikroelektronik mbH, Erfurt. From 1999 to 2014, Mr. Straub served as Chief Executive Officer of X-FAB. Mr. Straub holds a diploma in economics from the Hochschule für Ökonomie Berlin (Berlin Business School).

Tan Sri Datuk Amar Dr. Hamid bin Bugo has worked as personnel manager for Malaysia LNG Sdn Bhd, a joint venture between Petronas, Shell, and Mitsubishi. He was the first general manager of the Land Custody and Development Authority, Sarawak, and was permanent secretary to the Ministry of Resource Planning, and state secretary of Sarawak. Tan Sri Datuk Amar Dr. Hamid bin Bugo has also served as a board

member of several corporate and governmental agencies and charitable organizations. After graduating with a master's degree in economics and political science from the University of Canterbury, New Zealand, he gained a postgraduate diploma in teaching from Christchurch Teachers' College, New Zealand, and has a certificate in business studies from the Harvard Institute of Development Studies, USA. Tan Sri Datuk Amar Dr. Hamid bin Bugo was awarded an honorary PhD in commerce by Lincoln University, New Zealand. Currently, he is Chairman of the National Library Council of Malaysia and Petroleum Sarawak Berhad.

Dato Sri Dr. Wan Lizozman bin Wan Omar is the State Financial Secretary of Sarawak. Before that he served as Deputy State Financial Officer and formerly as Permanent Secretary in the Ministry of Urban Development and Natural Resources as well as the Ministry of Housing Sarawak. Besides his role as State Financial Secretary, Dato Sri Dr. Wan Lizozman bin Wan Omar is chairman of two Malaysian state government-linked companies as well as a director of various state-owned companies. In addition, he is a board member of the Sarawak Economic Development Corporation (SEDC) and the Sarawak Timber Industry Development Corporation (STIDC). His academic qualifications include a certificate in Southeast Asian studies from Columbia University, New York City, USA, a bachelor of science degree in economic and political science from the University of Northern Illinois, USA, followed by a master's degree in international affairs (economic development) from the School of International & Public Affairs, Columbia University, New York City, USA. In 2014, he was awarded a PhD in business studies from UNIMAS (University Malaysia Sarawak).

Aurore NV is represented by Christine Juliam. She started her career in clinical research at MSD in Belgium before moving into product management, and subsequently into sales, marketing, and business planning responsibilities. In July 1996, she started to work for Abbott Belgium as director of its pharmaceutical product division and joined Nycomed as Managing Director Belgium/Luxembourg in 2006. From 2011 onwards she was Region Head for France, the Netherlands, Belgium, and Luxembourg for Nycomed, which was acquired by Takeda in the same year. Subsequently, Ms. Juliam managed Takeda Italy and France as country manager between 2013 and 2017 and became Divestment Lead until 2020. Between 2021 and 2022, Ms. Juliam worked as General Manager at Orifarm. Christine Juliam has a doctor of medicine degree from the University of Ghent, a license in marketing from St. Aloysius College in Brussels, a master's in management from Solvay Commercial School in Brussels, and an MBA from Northwestern University.

Christel Verschaeren served for 29 years at IBM. She held different technical positions as well as commercial leadership positions in general business, channel sales, and inside sales. She led business operations for IBM

Belgium/Luxembourg for three years. In 2005, she became Director of Business Transformation and IT for IBM Europe. From 2010 until 2012 she served as Director Global Organizational Change Management. From 2012 until 2016 she was the VP of CIO Services in EMEA. Ms. Verschaeren holds a master's in economics from the University of Antwerp.

Estelle lacona is professor in physics of CentraleSupélec. She was a director of EM2C laboratory (CNRS, École Centrale Paris) from 2008 to 2012 after which she became Dean and Vice-President Research of the École Centrale Paris and of CentraleSupélec. She served as Executive Vice-President for Academic Affairs at CentraleSupélec from 2016 to 2019. She was also a member of the board of École Centrale Casablanca. In 2020, Estelle lacona was elected as Senior Vice-President at Paris-Saclay University. Currently she is President at Paris-Saclay University. Ms. lacona holds an engineering degree and a master of science from the University of Nantes (Polytech'Nantes) and a PhD in physics of transfer from the École Centrale Paris.

Vlinvlin BV is represented by Ling Qi. Ling Qi has more than 20 years of international business management experience in China. After winning an English language competition from a field of one thousand competitors, she organized international trade fairs and trade missions for the city government of Shenyang and was the personal translator for the mayor of Shenyang. She left politics to host a weekly TV program with news and interviews of foreign expats in China. In 1996, she became vice-president of the animation film company OHY in charge for the company's business in the US. In 2000, Ling Qi married Belgian director Wouter Dierickx with whom she founded Sophie Animation Ltd. Currently, she is CEO of two multimedia and animation film companies. Alongside this, Ling Qi has been consulting for foreign invested companies in China and is a board member of a Belgian private bank. She holds a degree in international trade and English from the University of Liaoning and obtained a certificate of Dutch at University of Antwerp.

Appointment and replacement of directors

The Articles of Association (Article 16) and the X-FAB Corporate Governance Charter contain specific rules concerning the (re)appointment, the induction, and the evaluation of directors. Directors are appointed for a term not exceeding four years by the general meeting of shareholders, who 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 have the right to temporarily appoint a new director until the next general meeting which shall confirm such appointment. Said appointment will then be included in the agenda of the next general meeting.

The Remuneration and Nomination Committee makes recommendations to the Board with regard to the

appointment of directors, the CEO, and the other members of the Executive Management. The Committee will consider proposals made by the members of the Board or other relevant parties.

Functioning of the Board

The internal regulation of the Board is part of the Corporate Governance Charter. In principle, the Board of Directors meets on a quarterly basis. Additional meetings may be called with appropriate notice at any time to address specific needs of the business. A meeting of the Board of Directors must in any event be convened if requested by at least two directors.

The Board convened nine times in 2023 and discussed, among others, the following topics:

- the financial results of the Group;
- the business plan and capital expenditure;
- the budget for the financial year 2024; and
- potential acquisitions.

Dato Sri Dr. Wan Lizozman bin Wan Omar was excused for one meeting and was represented by proxy at one other meeting of the Board. Also, Estelle lacona was excused for one meeting. Other than that, all Board members attended all meetings.

Under the lead of the Chairman, the Board regularly evaluates its scope, composition, and performance and that of its committees, as well as the interaction with the Executive Management. In 2023, the Board conducted an evaluation via an anonymous survey complemented by an open discussion of the results. No issues have been identified and the Board was satisfied with its composition and functioning.

7.4 Committees

Audit Committee

The Audit Committee advises the Board of Directors on accounting, audit, and internal control matters as further detailed in the Company's Corporate Governance Charter. The Audit Committee also assists the Executive Management in its assessment and follow-up of the auditor's recommendations.

The Audit Committee is composed of four non-executive members: Aurore NV, represented by Christine Juliam, independent director and Chair; Christel Verschaeren, independent director; Tan Sri Datuk Amar Dr. Hamid bin Bugo, non-executive director; and Estelle lacona, independent director.

According to Article 7:99 BCCA the members of the Audit Committee maintain a collective expertise in the field of the Company's activities. At least one of them shall have accounting and audit expertise. Given his education as well as extensive experience as a board member for a number of different companies, Tan Sri Datuk Amar Dr. Hamid bin Bugo complies with this requirement.

In 2023, the Audit Committee met four times. During these meetings the audit plan and key audit matters were discussed with the external auditor. Other topics covered were the results of internal audits and the upcoming requirements on ESG reporting. All members of the Audit Committee as well as the external auditor attended all meetings. The results from internal audits were shared with the Board.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee advises the Board of Directors principally on matters regarding the appointment and remuneration of directors and members of the Executive Management.

The Remuneration and Nomination Committee is composed of five non-executive members: Christel Verschaeren, Chair; Aurore NV, represented by Christine Juliam, independent director; Dato Sri Dr. Wan Lizozman bin Wan Omar, non-executive director; Tan Sri Datuk Amar Dr. Hamid bin Bugo, non-executive director; and Estelle lacona, independent director.

The Remuneration and Nomination Committee met two times in 2023. During these meetings, matters such as the remuneration and succession of the Executive Management and the (re)appointment of directors were discussed. All members of the Remuneration and Nomination Committee attended all meetings.

7.5 Executive Management

Composition

The Executive Management is composed of the following members:

Name	Age	Position
Rudi De Winter	63	Chief Executive Officer
Alba Morganti	55	Chief Financial Officer
Jörg Doblaski	45	Chief Technology Officer
Damien Macq	57	Chief Operations Officer (from April 3, 2023)
Lee Boon Chun	54	Chief Executive Officer, X-FAB Sarawak
Dr. Gabriel Kittler	45	Chief Executive Officer, X-FAB Erfurt
Dr. Jocelyne Wasselin	65	Chief Executive Officer, X-FAB France (until July 31, 2023)
Dr. Sébastien Daveau	49	Chief Executive Officer, X-FAB France (from August 1, 2023)
Lloyd Whetzel	66	Chief Executive Officer, X-FAB Texas (until August 17, 2023)
Rico Tillner	41	Chief Executive Officer, X-FAB Dresden (until March 31, 2023) Chief Executive Officer X-FAB Texas (from August 18, 2023)
Michael Woittennek	43	Chief Executive Officer, X-FAB Dresden (from April 1, 2023)

Functioning

The Executive Management Team is composed of the CEO, the CFO, the CTO, the COO, and the site managers of X-FAB France, X-FAB Sarawak, X-FAB Texas, X-FAB Erfurt, and X-FAB Dresden. The members are appointed and removed by the Board of Directors after having received the advice of the CEO and the Remuneration and Nomination Committee.

The Executive Management Team exercises the duties assigned to it by the Board of Directors and the CEO, under the ultimate supervision of the Board of Directors.

The CEO leads the Executive Management Team, within the framework established by the Board of Directors and under its ultimate supervision. The CEO chairs the Executive Management Team.

7.6 Diversity policy

The Remuneration Committee and the Board of Directors ensure that diversity criteria such as age, gender, and background are taken into consideration in its selection processes and management of succession planning.

At the end of the reporting year, four of the nine members of the Board were female, thereby reaching the best possible equilibrium in terms of gender diversity. The composition of the Board is in line with the requirements of the BCCA on diversity. The Executive Management Team also consists of a diverse team in terms of age, background, and gender.

7.7 Remuneration report

The remuneration of the directors and the Executive Management is governed by X-FAB's remuneration policy which can be found at www.xfab.com/investors. The remuneration policy was approved by the Shareholders' Meeting on April 29, 2021. This remuneration report has been prepared in accordance

with Article 3:6, §3 BCCA as introduced by law on April 28, 2020.

Total remuneration

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

The non-executive and independent directors receive a compensation for their mandate as director. Such compensation consists of a fixed annual amount of EUR 15,000. The remuneration of directors takes into account their membership(s) in any of the board committees; for each membership in a board committee, directors receive an additional fixed amount of EUR 5,000 per committee. Such compensation is independent from their participation rate in board or board committee meetings.

Roland Duchâtelet waived his right to receive any remuneration as a non-executive Board member. In 2023 Vlinvlin BV (represented by Ling Qi) received additional remuneration of USD 35,848 for consultancy services provided to the Strategy department above and beyond her work as director of the Company. Hans-Jürgen Straub received an additional USD 10,814 for his mandate on the supervisory board of X-FAB Semiconductor Foundries GmbH.

Members of the Executive Management who are employed by X-FAB Group companies under an employment contract also benefit from group insurance policies in their respective home countries providing various pension, life insurance, disability, and medical insurance benefits, all of which are defined contribution schemes. All these group insurance elements are in line with home country market practices and only represent a minor portion of their respective remuneration packages. The base salary for members of the Executive Management who are employees does not include the employer contributions.

in U.S. dollars					
Name, position	1. Fixed remuneration			2. Variable remuneration	
	Base salary	Fees	Other benefits	One-year variable	Multi-year variable
Roland Duchâtelet, Non-executive director	–	–	–	–	–
Thomas Hans-Jürgen Straub, Non-executive director	16,221.00	–	10,814.00	–	–
Tan Sri Datuk Amar Dr. Hamid bin Bugo, Non-executive director	27,035.00	–	–	–	–
Aurore NV (Represented by Christine Juliam), Independent director	27,035.00	–	–	–	–
Christel Verschaeren, Independent director	27,035.00	–	–	–	–
Estelle Iacona, Independent director	27,035.00	–	–	–	–
Vlinvlin BV (Represented by Ling Qi), Non-executive director	16,221.00	–	35,848.00	–	–
Sensinnovat BV, permanently represented by Rudi De Winter, Executive, CEO	394,704.00	–	–	67,050.29	98,676.00
Executive Management excl. Sensinnovat BV	1,443,768.00	–	73,907.14	454,058.12	–

in U.S. dollars					
Name, position	3. Extra-ordinary items	4. Pension expense	5. Total remuneration	6. Proportion of fixed and variable remuneration	
				Fixed:	Variable:
Roland Duchâtelet, Non-executive director	–	–	–	Fixed:	100%
Thomas Hans-Jürgen Straub, Non-executive director	–	–	27,035.00	Fixed:	100%
Tan Sri Datuk Amar Dr. Hamid bin Bugo, Non-executive director	–	–	27,035.00	Fixed:	100%
Aurore NV (Represented by Christine Juliam), Independent director	–	–	27,035.00	Fixed:	100%
Christel Verschaeren, Independent director	–	–	27,035.00	Fixed:	100%
Estelle Iacona, Independent director	–	–	27,035.00	Fixed:	100%
Vlinvlin BV (Represented by Ling Qi), Non-executive director	–	–	52,068.00	Fixed:	100%
Sensinnovat BV, permanently represented by Rudi De Winter, Executive director, CEO	–	–	560,430.00	Fixed:	70%
				Variable:	30%
Executive Management excl. Sensinnovat BV	–	106,257.22	2,077,990.48	Fixed:	78%
				Variable:	22%
			2,825,663.48		

Application of the performance criteria CEO

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

- short term: 50% of the variable remuneration is based on performance criteria measured over one financial year;
- medium term: 25% is based on performance criteria measured over two financial years; and
- long term: 25% is based on performance criteria measured over three financial years.

The cash bonus for the CEO is calculated by reference to yearly established targets to reflect global business performance criteria, which are measured on an X-FAB Group consolidated basis. Where financial indicators are used these are based on reported figures determined in accordance with IFRS accounting standards. The targets are as follows:

- 50% of the cash bonus (the short-term element) depends on the achievement of the target EBIT of X-FAB measured over the performance year in order to link the bonus to the operational result of X-FAB; and
- 50% of the cash bonus (the medium and long-term element) is dependent on X-FAB generating revenue growth that outperforms the industry average over the last one or two years, whereby the industry reference growth is determined by reference to the November Q4 Update to The McClean Report 2023 by TechInsights. The forecasts for optoelectronics, sensors and actuators, and discrete (O-S-D) devices is used as a reference value.

Short-term cash bonus (one-year variable)

The results for performance year 2023 are shown in the table below. In 2023 the EBIT was USD 157.7 million. This means that 67.95% of the short-term cash bonus will be paid out.

in U.S. dollars						
Performance criteria	a)	Minimum threshold performance	a)	Maximum performance	a)	Measured performance
	b)	Corresponding remuneration	b)	Corresponding remuneration	b)	Actual remuneration outcome
Global business performance	a)	50,000,000	a)	210,000,000	a)	157,675,000
Relative weighting 50%	b)	0	b)	98,676	b)	67,050
Total bonus		0		98,676		67,050

Medium and long-term cash bonus (two and three-year variable)

The two and three-year variable remuneration of the CEO depends on X-FAB generating revenue growth over the last one or two years exceeding the industry average using the statistics for the optoelectronics, sensors and actuators, and discrete (O-S-D) devices market published in the McClean Report 2023 by TechInsights as a reference value.

The results for performance year 2023 are shown in the table below. In 2023, the revenue growth was 20% compared to 2022. The industry average amounted to 1%. The revenue growth compared to 2021 was 35% while the industry averaged 9%. This results in the bonus calculation as depicted in the following table.

in U.S. dollars						
Performance criteria	a)	Threshold performance	a)	Measured performance		
	b)	Corresponding remuneration	b)	Actual remuneration outcome		
Revenue growth over the last year	a)	Revenue growth >1%	a)	20%		
	b)	49,338	b)	49,338		
Revenue growth over the last two years	a)	Revenue growth >9%	a)	35%		
	b)	49,338	b)	49,338		
Total bonus				98,676		98,676

Other members of the Executive Management

The variable remuneration for the other members of the Executive Management consists of a short-term cash bonus expressed as a fixed amount:

- 50% is based on a global business performance measured through the achievement of the target EBIT of the Company in order to link the bonus to the operational result of the Company; and
- 50% is based on an assessment of individual, department, or site performance measured through achievement of pre-established targets within the criteria determined by the CEO.

Currently no long-term incentives are foreseen for members of the Executive Management.

The results for performance year 2023 are shown in the table below. In 2023 the EBIT was USD 157.7 million. This means that 67.95% of the short-term cash bonus that is linked to the operational result of the Company will be paid out.

in U.S. dollars						
Performance criteria	a)	Minimum threshold performance	a)	Maximum performance	a)	Measured performance
	b)	Corresponding remuneration	b)	Corresponding remuneration	b)	Actual remuneration outcome
Global business performance	a)	50,000,000	a)	210,000,000	a)	157,675,000
Relative weighting 50%	b)	0	b)	221,857	b)	150,009
Individual/team performance	a)	Determined individually	a)	Determined individually	a)	Determined individually
Relative weighting 50%	b)	0	b)	221,857	b)	173,290
Total bonus		0		443,714		323,299

Share-based remuneration

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

Non-financial performance criteria are not linked to remuneration and are therefore not reported. We refer to section 6 of this annual report for an overview of non-financial topics. 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.

Evolution of the remuneration and performances of X-FAB

The table below provides an overview of the annual change in total remuneration, developments and performance of X-FAB, and the average remuneration of employees.

Name	2019	2020	2021	2022	2023
Annual change of remuneration (Executive management)					
• Fixed remuneration	–	–	-4.1%	4.2%	24.1%
• Variable remuneration	–	–	+100%	-33.4%	133.4%
• Total remuneration	–	–	21.3%	-2.5%	38.3%
Annual change in the developments and performances (in thousands of U.S. dollars)					
• Performance criteria (EBIT)	-43,865	-14,617	77,192	57,335	157,675
• Net profit	-48,540	13,530	83,640	52,491	161,895
Annual change in the average remuneration of employees on consolidated basis*	-6.06%	0.91%	8.39%	-1.58%	7.98%

*The average employee remuneration was calculated with the numbers as reported in notes 6.6 and 13.3 (wages and salaries) in this annual report (personnel expenses and average number of employees). Social security, pension, and benefit costs are excluded.

In 2023 the ratio between the highest and lowest remuneration was 95.2 to 1. The highest remuneration used for this comparison includes the total remuneration of a member of the Executive Management. The lowest remuneration includes the base salary, variable pay as well as other benefits such as insurance, pension contributions.

All figures are presented on an X-FAB Group consolidated basis in the above table. Information is provided from 2017 onwards, after X-FAB went public.

Severance payments

No severance payments were made in 2023.

Use of clawback provisions

No clawbacks were applied in 2023.

Vote of the shareholders

The remuneration report for the financial year ended December 31, 2022, was approved at the annual Shareholders' Meeting held on April 27, 2023, with a 94% majority of the 71.6% validly votes cast. As the remuneration report was approved with a large majority and X-FAB still believes in the principles included therein, X-FAB will retain its remuneration policy.

7.8 Policy on certain transactions

Terms and conditions of transactions with related parties

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

Conflicts of interest of the Board of Directors

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

There was one conflict of interest as per article 7:96 BCCA in the financial year 2023. This conflict of interest concerned the proposed acquisition of M-MOS ("the Transaction and Share Transfer Agreement") during the board meeting of December 21, 2023:

Mr. Rudi De Winter (representing Sensinnovat BV) and Mr. Roland Duchâtelet informed the board of directors that they both have an indirect control over XTRION NV and that they both, directly or indirectly, own shares in XTRION NV. XTRION NV is a contracting party with regard to the proposed decision and owns all 5,000,000 shares (100%) of M-MOS Semiconductor Hong Kong Limited (M-MOS).

Both directors declared having an interest of a patrimonial nature within the meaning of article 7:96 BCAC that could possibly be found to conflict with that

of X-FAB Silicon Foundries SE (X-FAB) in the decisions under agenda items 3 and 4. The legal procedure on conflicts of interests under article 7:96 BCAC was therefore applied in respect of agenda items 3 and 4, and this will be communicated to the X-FAB's auditor.

The other directors declared that they have no interest of a patrimonial nature within the meaning of article 7:96 BCAC in the decision-making on the agenda items that conflicts with that of X-FAB.

The following is an extract from the meeting of the Board of Directors held on December 21, 2023:

"Agenda item 3: Deliberation and approval in application of article 7:97 BCAC of the Transaction and the Share Transfer Agreement

In application of articles 7:96 and 7:97 BCAC, Mr Rudi De Winter and Mr Roland Duchâtelet left the meeting during the deliberation and decision on agenda items 3 and 4.

The patrimonial consequences of the Transaction and Share Transfer Agreement for X-FAB can essentially be summarized as follows:

X-FAB intends to buy all shares in the share capital of M-MOS at a price amounting to EUR 22.5 million with execution date of the shares transfer on January 1, 2024. This price is close to M-MOS' consolidated equity value. Resulting goodwill or badwill will be limited based on a provisional assessment of the fair value. A more detailed PPA (Purchase Price Allocation) exercise is still to be done by management at a later stage. The price is substantiated by a discounted cash flow (DCF) valuation model.

The board of directors is of the opinion that the Transaction is in the interest of X-FAB and that the proposed terms are at arm's length.

The directors confirmed that they had no further questions or comments on the proposed resolutions.

DECISION: After thorough consideration of the Advice, the proposed terms of the Transaction and the Share Transfer Agreement, the board of directors decided to approve the entering into the Share Transfer Agreement by X-FAB and the amount and terms of the Transaction provided therein.

Agenda item 4: Deliberation and approval of the Press Release in application of Article 7:97, §4/1 BCAC

In accordance with article 7:97, §4/1 BCAC, X-FAB must immediately publicly announce the decision taken under agenda item 3. To this end, a draft was prepared which was attached as Annex 3 to these minutes and which was provided to all directors in advance.

The directors had no further comments on the draft.

DECISION: The board approved the Press Release."

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 (i) the relations of the listed company with an affiliated company, except its subsidiaries, and (ii) the relations between a subsidiary of the listed company and an affiliated company of the subsidiary, other than a subsidiary of the subsidiary. Prior to the decision or transaction, a committee composed of three independent directors, if deemed necessary assisted by one or more independent experts, must prepare written advice for the Board of Directors. The auditor delivers an opinion regarding the accuracy of the information contained in the committee advice and in the minutes of the Board of Directors' decision.

The advice of the committee, an excerpt from the minutes of meetings of the Board of Directors, and the opinion of the auditor have to be recorded in the annual report of the Company.

In 2023, the above mentioned procedure regarding related parties transactions had to be applied once. On December 21, 2023 at 8:45 a.m. CET, X-FAB announced the following statement via press release (<https://www.xfab.com/investors/news>) in accordance with article 7:97 BCCA:

"X-FAB Silicon Foundries SE (Euronext Paris: XFAB) (X-FAB or the Company) announces the application of article 7:97 of the Belgian Code on Companies and Associations (BCCA) in the context of the planned acquisition of M-MOS Semiconductor Hong Kong Limited, a fabless company focused on the development of MOSFET technologies.

X-FAB Silicon Foundries SE resolved to purchase 100% of the capital shares issued by M-MOS Semiconductor Hong Kong Limited (M-MOS) for a total of EUR 22.5 million (the Transaction). The sole seller of these shares is XTRION NV.

Article 7:97, §1, second subparagraph of the Belgian Companies and Associations Code (BCAC) provides that listed companies (X-FAB) are not allowed to take any decision regarding a related party transaction without the prior approval by the board of directors having applied the special procedure contained in article 7:97 BCAC.

Considering that X-FAB and XTRION are related parties in accordance with IAS 24, the decision to approve the purchase price and terms and conditions of the Share Transfer Agreement by the board of directors of X-FAB, triggered the conflict of interests' procedure for related party transactions under article 7:97 BCAC.

After advice from the committee of independent directors, dated December 21, 2023, the board of directors approved the Transaction and the signing of the Share Transfer Agreement. This decision is in line with the conclusion of the committee of independent directors, which states:

'It is the opinion of the Committee that the Transaction and the Share Transfer Agreement are:

- not such as to cause X-FAB a disadvantage which, in light of the strategy of X-FAB, is manifestly illegitimate; and*
- in the interest of X-FAB and do not cause a disadvantage to X-FAB which would not be outweighed by benefits for X-FAB.'*

The auditor has assessed the financial and accounting information mentioned in the related minutes of the board of directors and in the above-mentioned committee's advice. The conclusion of the auditor reads as follows:

'Based on our review, nothing has come to our attention that causes us to believe that the financial and accounting data as included in the advice of the Committee of Independent Directors dated December 21, 2023 and in the minutes of the board of directors dated December 21, 2023, justifying the proposed Transaction, do not give, in all material respects, a true and fair view of, and are consistent with the information available to us in the context of our engagement.'"

Other transactions with directors and Executive Management

As determined by section 6 of the X-FAB Corporate Governance Charter, members of the Board of Directors should arrange their personal and business affairs in such a way as to avoid conflicts with X-FAB. Moreover, the members of the Board of Directors and the Executive Management are not permitted to enter, either directly or indirectly, into agreements with X-FAB or any of its subsidiaries for the provision of paid services or goods, unless explicitly authorized by the Board of Directors. Such agreements must always be at arm's length. Please refer to note 12 on related party transactions.

In 2023, there were no transactions between the Company and its directors or Executive Managers involving a conflict of interest.

Insider trading

In compliance with the 2020 Belgian Code on Corporate Governance and EU regulation on market abuse (EU No 596/2014) the X-FAB Insider Trading Policy was updated and approved by the Board of Directors in 2020.

X-FAB complies with the 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 which could have an effect on the share price.

The purpose of the X-FAB Insider Trading Policy is to prevent the abuse of inside information. Before trading any company shares, the members of the Board 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, the members of the Board and the Executive Management as well as their closely associated persons have to notify all their transactions above a certain threshold in X-FAB shares to the Belgian Financial Services and Markets Authority, which will publish these notices on its website.

Compliance with the X-FAB Insider Trading Policy will be supported and verified by the Compliance Officer.

7.9 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 are in place 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 X-FAB business units.
- Accounting transactions are registered in globally standardized operating charts of accounts.
- The financial information is prepared and reported in first instance by the accounting teams in the different legal entities of X-FAB worldwide.
- Consequently, the finance managers at the different X-FAB 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.

X-FAB is validly represented by the sole signature of the CEO for all aspects within and outside the daily management of the Company. Specific powers are granted to members of the Executive Management to represent X-FAB in matters that relate to the functional area 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 the 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 by the responsible persons of the different departments of the Company.
- The automated ERP system provides the responsible persons of the departments with permanent access to the financial information relevant to the business activities of their functional area for monitoring, controlling, and directing purposes.
- 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 to 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, X-FAB has set up an internal audit function for its financial department, 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.

7.10 Description of certain information from the Articles of Association and elements pertinent to a takeover bid

Capital structure

The registered capital of X-FAB amounts to EUR 657,456,850.68 and is represented by 130,781,669 equal shares without par value. The shares are in registered or dematerialized 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 their voting rights provided they are validly admitted to the general meeting and their rights have not been suspended. Pursuant to Article 11 of the Articles of Association the

Company is entitled to suspend the exercise of the rights attaching 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 general 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

XTRION NV and Sarawak Technology Holdings Sdn. Bhd. entered into a shareholders' agreement as shareholders of X-FAB (the "Shareholders' Agreement"). This Shareholders' Agreement was terminated by mutual consent on November 20, 2023. The Shareholders' Agreement addressed certain matters relating to the governance of X-FAB as well as the transfer of shares in X-FAB held by the parties to this Shareholders' Agreement.

Pursuant to the terms of the Shareholders' Agreement, XTRION NV and Sarawak Technology Holdings Sdn. Bhd. each had the right to appoint two directors on the Board of Directors. The Shareholders' Agreement furthermore provided for certain restrictions on the ability of XTRION NV and Sarawak Technology Holdings Sdn. Bhd. to transfer their shares in X-FAB.

Amendments to the Articles of Association

Matters involving special legal quorum requirements include, among others, amendments to the Articles of Association, issues of new shares, convertible bonds, or warrants, and decisions regarding mergers and demergers, which require at least 50% of the share capital to be present or represented. If the quorum is not reached, a second meeting may be convened at which no quorum shall apply.

Matters involving special majority requirements include, among others, decisions regarding mergers and demergers, which require a majority of at least 75% of the votes cast.

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

The Articles of Association foresee that the Board of Directors may increase the registered capital of the Company in one or several times by a (cumulated) amount of maximum EUR 657,456,850.68. Such authorization may be renewed in accordance with the relevant legal provisions. The Board of Directors may exercise this power for a period of five (5) years as from the date of publication in the Annexes to the Belgian State Gazette of the amendment to these Articles of Association approved by the Shareholders' Meeting on April 28, 2022.

The Board of Directors is further authorized by Article 13 of the Articles of Association to acquire own shares in the Company, either directly, by a person acting in his/her own name on behalf of the Company,

or by a direct subsidiary within the meaning and the limits set out by Article 7:221 BCCA, under the following conditions:

- This authorization applies for a number of own shares, profit-sharing certificates, or associated certificates that is at most equal to that which, after acquisition, results in a total number of own shares held by the Company equal to the set limit of 20% as stipulated in Article 5 of the SE Regulation juncto Articles 7:215 ff. BCCA.
- Under this authorization a share should be acquired at a price that will respect the legal requirements, but that will in any case not be more than 10% below the lowest closing price in the last 30 trading days preceding the transaction and not more than 5% above the highest closing price in the last 30 trading days preceding the transaction.
- This authorization is valid for five years from April 28, 2022.

By resolution of the Shareholders' Meeting held on April 28, 2022, the Board of Directors is authorized to divest itself of part of or all the Company's shares, profit-sharing certificates, or associated certificates.

- This can be done at any time and at a price it determines, on or outside the stock market or in the framework of its remuneration policy, to personnel within the meaning of article 1:27 BCCA or to prevent any serious and imminent harm to the Company.
- The authorization covers the divestment of the Company's shares, profit-sharing certificates, or associated certificates by a direct subsidiary within the meaning of Article 7:221 BCCA.
- The authorization is valid without any time restriction, except when the divestment is to prevent any serious and imminent harm, in which case the authorization is valid for three (3) years from the date of publication of the authorization in the Annexes to the Belgian State Gazette (May 2, 2022).

Authorities of the Board to proceed with a capital increase

As per the Articles of Association, the Board of Directors was expressly empowered to proceed with a capital increase in any and all forms, including but not limited to a capital increase accompanied by the restriction or withdrawal of the preferential subscription rights, even after receipt by the Company of a notification by the Financial Services and Markets Authority (FSMA – "Autoriteit voor Financiële Diensten en Markten"/"Autorité des Services et Marchés Financiers") of a takeover bid for the Company's shares. Where this is the case, however, the capital increase must comply with the additional terms and conditions laid down in Article 5 of the SE Regulation juncto Article 7:202 BCCA. The powers conferred on

the Board of Directors remain in effect for a period of three (3) years from the date of the amendment to the Articles of Association approved by Shareholders' Meeting held on April 28, 2022. These powers may be renewed for a further period of three years by resolution of the Shareholders' Meeting, deliberating and deciding in accordance with applicable rules. If the Board of Directors decides upon an increase of authorized capital pursuant to this authorization, this increase will be deducted from the remaining part of the authorized capital.

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

business component of the variable remuneration, i.e. the EBIT target, are a more important element driving the valuation of the Company. As such, the directors believe there is a clear alignment between shareholders on the one hand and management on the other.

- Contrary to recommendation 7.6 of the Code 2020 for non-executive directors, the directors do not receive shares in the Company as part of their remuneration. The purpose of the recommendation is to better align the interests of non-executive directors with regard to long-term shareholder interest. At X-FAB, that long-term shareholder perspective is sufficiently represented on the Board of Directors since the CEO as well as one director are important (indirect) shareholders of the Company.

7.11 Auditor

KPMG Bedrijfsrevisoren BV, whose registered office is situated at 1930 Zaventem, Luchthaven, Brussel Nationaal 1K, was appointed as statutory auditor of the Company. Mr. Herwig Carmans, auditor, was appointed as the permanent representative of the auditor.

The audit fee for the audit of the consolidated financial statements amounted to USD 583,000, excluding value-added taxes. Additional fees were charged in 2023 for other services amounting to USD 95,000, excluding value-added taxes. Non-audit related services mainly relate to certification engagements and tax compliance services.

7.12 Compliance with the 2020 Belgian Code on Corporate Governance

X-FAB complies with the principles of the Code 2020. In view of the "comply-or-explain" principle of the Code the following overview sets out those provisions of the Code that X-FAB does not comply with, along with an explanation of the reasons for non-compliance:

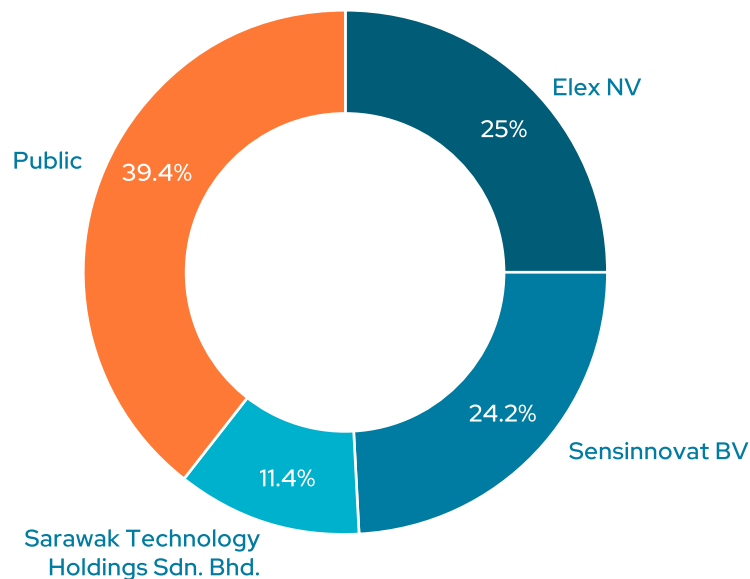
- Contrary to recommendation 7.9 of the Code 2020, the members of the Executive Management are not required to hold a minimum threshold of shares in the Company. Further, the Company does not grant shares, options, or other rights to acquire shares to its members of the Executive Management. However, it should be noted that the CEO is an important shareholder of the Company. The Board of Directors believes that the stock price of a company does not always correctly reflect the performance of that company since there are many external factors that also have an influence on the price of a financial instrument. The financial numbers that impact the level of the

8. SHAREHOLDER INFORMATION

Shareholder structure

	NUMBER OF SHARES	SHARE IN %
Elex NV	32,672,778	25.0
Sensinnovat BV	31,666,781	24.2
Sarawak Technology Holdings Sdn. Bhd.	14,948,655	11.4
Public	51,493,455	39.4
TOTAL	130,781,669	100.0

Total number of votes: 130,781,669



Share information

First day of listing:	April 6, 2017
Stock exchange:	Euronext Paris
Ticker:	XFAB
ISIN:	BE0974310428
Number of shares outstanding on December 31, 2023:	130,781,669
Market capitalization on December 31, 2023:	EUR 1,255,597,400.51

Financial calendar

April 25, 2024

Publication of Q1 2024 results
Annual shareholders' meeting

July 25, 2024

Publication of Q2 2024 results

September 3, 2024

Publication of Half-Year Report 2024

October 25, 2024

Publication of Q3 2024 results

Contact information

X-FAB Silicon Foundries SE
Investor Relations
Transportstraat 1
3980 Tessenderlo
Belgium

Phone: +32 1361 3627

E-mail: ir@xfab.com

Web: www.xfab.com

9. X-FAB SILICON FOUNDRIES SE STATUTORY ACCOUNTS

The separate financial statements of X-FAB Silicon Foundries SE, the Group's parent, have been audited in accordance with Belgian statutory requirements. The auditor's report is unqualified and certifies that the financial statements have been prepared in accordance with Belgian GAAP, and that they give a true and fair view of the financial position and results of X-FAB Silicon Foundries SE in accordance with all legal and regulatory requirements.

The separate financial statements, together with the separate management report of the board of directors to the general assembly of shareholders as well as the auditor's report thereon, will be filed with the National Bank of Belgium in accordance with the relevant statutory filing due dates. In addition, they are available

on the Company's website or can also be obtained on request at the registered office of the company at Transportstraat 1, 3980 Tessenderlo.

The separate financial statements are reproduced below in condensed form.

The condensed statutory financial statements of X-FAB Silicon Foundries SE are presented in thousands of EUR as the functional currency of the statutory accounts is the EUR.

Participations in affiliated companies are recognized at their acquisition cost.

Condensed non-consolidated statement of profit and loss For the year ended December 31

in thousands of EUR	2023	2022
Operating income		
Turnover	16,022	13,016
Operating charges		
Cost of services and other expenses	(16,511)	(13,106)
Wages and salaries, social security costs and pension costs	(228)	(135)
Depreciation	(4)	(4)
Operating profit	(721)	(229)
Finance income		
Income from financial fixed assets	135,146	14,848
Income from current assets	725	–
Other financial income	–	2,040
Finance costs		
Debt charges	–	(53)
Other financial charges	(2,449)	(87)
Net financial result	133,422	16,748
Profit before taxes	132,701	16,519
Income tax	–	(414)
Profit for the period	132,701	16,105

Condensed non-consolidated statement of financial position

in thousands of EUR	December 31, 2023	December 31, 2022
ASSETS		
Fixed assets		
Other equipment	1	5
Financial assets		
Affiliated companies		
Investments in affiliates	1,034,250	927,250
Loans issued to affiliated companies	–	–
Total fixed assets	1,034,251	927,255
Current assets		
Amounts receivable within one year		
Other receivables	60,067	18,100
Cash and cash equivalents	53,932	70,097
Accruals and deferred income	38	8
Total current assets	114,037	88,205
Total assets	1,148,288	1,015,460
EQUITY AND LIABILITIES		
Equity		
Capital		
Share capital – issued	657,457	657,457
Share premium	92,902	92,902
Reserves		
Legal reserves	19,842	13,207
Reserve for treasury shares	562	562
Accumulated profits	376,267	250,201
Total equity	1,147,030	1,014,329
Current liabilities		
Amounts payable within one year		
Trade payables	510	198
Other current liabilities	682	621
Taxes	66	312
Accrued charges and deferred income	–	–
Total current liabilities	1,258	1,131
Total equity and liabilities	1,148,288	1,015,460

10. RISK FACTORS

An investment in shares involves risks and uncertainties. Prior to making a decision to invest in shares of X-FAB, the information provided in this annual report and, in particular, the risks and uncertainties described below should be read and considered carefully. The occurrence of any of these risks could adversely affect the Company's business, results of operations, and/or financial condition.

Risks relating to X-FAB's business and the semiconductor industry

Structural trends in the markets for the end-user products produced by X-FAB's customers, or material volatility in demand for these products, may limit X-FAB's ability to maintain or increase sales and profit levels.

A significant portion of X-FAB's revenues is derived from customers who use ICs manufactured by the Group as components for the production of a wide range of products including automotive, industrial, medical, and communications devices. If consumer demand for these products is volatile, or past and expected structural growth trends in these industries do not continue, it may lead to reduced demand for X-FAB's analog/mixed-signal ICs.

A global systemic economic or financial crisis, increased political uncertainty, or increased economic protectionism could negatively affect X-FAB.

X-FAB's business is subject to inherent and indirect risks arising from general and sector-specific economic conditions in the markets in which it operates. In recent years, several major systemic economic and financial crises and events leading to political uncertainty have negatively affected global business conditions, the semiconductor industry, and a variety of consumer and industrial markets. X-FAB's protection against downturns is limited, since a substantial majority of customer contracts do not contain minimum order requirements, and as a result any decline or slow GDP growth, whether caused by political uncertainty, changes in trade regulation, or broader economic conditions, which leads to reduced consumer and industrial spending, may adversely impact X-FAB's customers and result in lower demand for its analog/mixed-signal ICs.

A significant portion of X-FAB's revenue comes from a relatively limited number of customers.

X-FAB's largest customer, Melexis, accounted for 45% of the Group's revenue in 2023, while the Group's top three customers accounted for 52% of revenue and its top five customers accounted for 56% of revenue during the year. None of X-FAB's customers are prohibited by contract from purchasing from other semiconductor suppliers. In the past, customers have

switched to other semiconductor suppliers with little or no notice, or have notified the Group that they would source semiconductors for new end-user products from other semiconductor manufacturers. Changes in X-FAB's relationships with its top customers, the loss of one or more of these customers, or a change in the competitive position of any of these customers could have a material adverse impact on X-FAB.

Due to X-FAB's relatively fixed-cost structure, its ability to grow profitability is dependent on its ability to maintain appropriate utilization levels.

The profitability of X-FAB's operations is closely tied to its level of utilization. X-FAB's ability to improve or maintain utilization levels depends, among other things, on the general economic environment, the success of its major customers, and its ability to offer the technologies and processes required for it to stay competitive. Failure to maintain or improve utilization levels could have a material adverse impact on X-FAB.

X-FAB faces difficulties in forecasting demand and may therefore be unable to match its production capacity to demand.

Difficulties in projecting future business levels make it more difficult to reach and to maintain optimal utilization levels and adequately predict capacity needs across X-FAB's operations. Because customers usually place orders on a short-term basis, X-FAB may face difficulties to predict demand accurately. Significant capacity problems or inability or delay in shifting production to another fab could harm X-FAB's relationships with its customers and lead to lost sales. Furthermore, small changes in sales at the OEMs may trigger inventory corrections throughout the supply chain. As it can take about ten months from placing an order at X-FAB to assembling the final product at the OEM, a small variation in sales combined with a negative or positive market segment growth could cause overreactions in the supply chain that amplify the effects on X-FAB's operations, since X-FAB is at the end of the supply chain.

X-FAB may be unsuccessful in its attempts to increase its production capacity and capabilities.

As part of its strategy to expand capacity, X-FAB intends to expand capabilities and capacity at the Group's existing sites. This depends on the timely availability of equipment as well as the ability to install and qualify such new equipment on a timely basis. Although X-FAB does not have any current targets for future acquisitions, the Group may acquire additional companies or production sites over the medium term. X-FAB may also seek to grow its production capacity through the development of new manufacturing sites. Failure to integrate any acquired company, fab, or technology successfully, or to achieve desired synergies, may inhibit X-FAB's future expansion.

X-FAB may not realize all the anticipated benefits from its acquisition of Altis' core business.

X-FAB acquired the Altis assets in 2016, including a fab located in Corbeil-Essonnes, France. The integration process includes a series of technology introductions, capacity enhancements, adoptions of Group-wide systems, and implementation of cost-efficiency measures. X-FAB may encounter delays or interruptions in this integration process, among others due to delays in customer qualifications in the fab or a need to make additional capital expenditures. There can be no assurance that this integration will be successful, that X-FAB will meet targeted synergies or financial returns at the new facility, or that X-FAB will be able to keep all existing customers to secure satisfactory fab utilization during the business transition.

X-FAB's expectations of an increase in market share by foundries might not occur.

A key component of X-FAB's strategy is its belief that the market for foundries will grow, due to increased outsourcing of specialty technologies by IDMs and increasing prevalence of fabless companies. Although this trend has been prevalent in the digital IC market, it may not develop to the same extent in the market for specialty technologies. If increasing market growth for foundries were to slow or reverse, it could have a material adverse impact on X-FAB.

X-FAB may face increasing competition.

Although X-FAB operates in a narrow market segment within the broader semiconductor manufacturing industry, the Group faces competition from other semiconductor producers, some of which have greater manufacturing, financial, research and development, and marketing resources than X-FAB does. In the long term, these competitors may win a higher portion of new customers than X-FAB, or win existing customers from X-FAB. If X-FAB cannot provide the same level of design and engineering support, capacity, or advanced capabilities as competitors, it may have a material adverse effect on X-FAB.

X-FAB may face competitive pricing pressures.

Competitors may have an impact on X-FAB's selling prices and demand for its services. Although X-FAB has not experienced significant pricing pressure in the past, there can be no assurance this will be the case in the future. Significant declines in average selling prices (ASPs) could have a material adverse effect on X-FAB.

X-FAB may face price increases from its suppliers.

X-FAB manufactures analog/mixed-signal ICs, utilizing proprietary process technologies and third-party silicon wafers and other raw materials. Changes in the availability or prices of such wafers, raw materials, electricity, spare parts, etc. can have an effect on the operating margin if the additional costs cannot be included in the prices for X-FAB's own customers.

In 2023, raw wafer costs accounted for 15% of total cost of sales. For most raw wafer types, X-FAB uses more than one supplier to secure availability of required volumes but also to remain flexible. However, having several suppliers per wafer type also means a greater effort to acquire the necessary qualifications for these suppliers.

X-FAB may be subject to penalties if it fails to meet the terms of long-term contracts with customers and suppliers.

X-FAB has concluded long-term agreements with a number of customers and suppliers. Long-term contracts with customers include take-or-pay arrangements which specify agreed wafer quantities and prices for a customer's business with X-FAB over a period of three years. Such arrangements provide X-FAB with a better overview of its future business levels. However, should X-FAB be unable to deliver the agreed quantities of wafers on time, it will be subject to penalty payments. In a similar manner, long-term procurement contracts with suppliers include take-or-pay arrangements and X-FAB may be subject to penalties if it does not purchase the agreed quantities from suppliers under such contracts.

X-FAB's operations could be disrupted by an unreliable or insufficient power supply.

Reliable power supply is essential to maintain a wafer fabrication facility. Unscheduled interruptions can cause significant damage to work in progress (WIP) and equipment. In addition, in times of increased geopolitical tensions and global competition for scarce resources, the energy supply in some regions may become inadequate.

X-FAB is subject to risks associated with currency fluctuations.

X-FAB records its financial results in U.S. dollars but receives revenues and incurs costs in a variety of currencies, including euros and Malaysian ringgit. Changes in the exchange rate of the U.S. dollar to the euro or Malaysian ringgit could result in translational losses in a given year, as compared to prior operating periods, or in a mismatch between local currency expenses and U.S. dollar revenues. X-FAB strives for a natural hedging of the business, which would make X-FAB's profitability development largely independent from exchange rate fluctuations; however, this may not be effective in preventing exchange rate losses.

Price, credit, liquidity, and cash flow risks and risks associated with the use of financial instruments are described in note 10 to the X-FAB consolidated financial statements in chapter 5.

X-FAB is subject to risks associated with any form of cyber criminality.

X-FAB's operations may be disrupted due to the unauthorized use or theft of critical data as well as sabotage, viruses, or any other malicious activity targeted at the Company's IT infrastructure. This could have an impact on the confidentiality, integrity, and availability of data and/or IT systems of the Company. X-FAB has taken measures to make the Company's IT infrastructure robust and secure and has implemented state-of-the-art security and control frameworks and technology. Any significant interruption or failure of X-FAB's IT systems or any significant breach of security could have an adverse effect on the Company's business, operational results, financial condition, and cash flows.

X-FAB is also subject to the following risks:

- X-FAB depends on successful technological advances.
- X-FAB depends on successful materials, machinery, and component procurement for its manufacturing processes.
- X-FAB's business may temporarily be negatively impacted due to disruptions in the supply chain or market demand caused by a pandemic or epidemic.
- X-FAB may be unable to recruit or retain the personnel required for its growth strategy.
- X-FAB may be affected by reductions in government subsidies and grants and could fail to comply with the conditions and obligations under such subsidy programs.
- Industry studies, forecasts, and growth rates relating to the semiconductor market as a whole may not be indicative of X-FAB's operations within the analog/mixed-signal semiconductor market.
- X-FAB's ability to compete successfully and achieve future growth will depend, in part, on its ability to protect its proprietary technology.
- X-FAB may be subject to claims for alleged infringement of third parties' intellectual property rights.
- X-FAB depends on intellectual property rights of third parties, and failure to maintain or acquire licenses could harm the Group's business.
- X-FAB could be adversely affected by manufacturing interruptions.
- X-FAB's business could be adversely affected by changes in export control regulations, trade restrictions, and economic sanctions.
- If X-FAB experiences difficulty in achieving acceptable device yields or process performance as a result of manufacturing problems, it could result in delayed deliveries.
- X-FAB's insurance coverage may not be adequate to compensate for any interruptions or loss of business.
- X-FAB's operations may be impacted by disruptions both at its own or its suppliers' operations caused by severe weather conditions whose occurrence is increasing due to climate change.
- X-FAB could incur material costs to comply with regulation, including environmental and health and safety laws, especially as a result of climate change. Changes in such regulations could require significant changes in the production process or could even require purchasing additional equipment.
- X-FAB may be subject to litigation, disputes, or other legal proceedings.
- X-FAB carries a significant amount of deferred tax assets on its balance sheet.
- Low or negligible employee motivation as well as the occurrence of accidents due to human failure may negatively impact X-FAB's business.
- Cultural differences may lead to misalignment among X-FAB sites, negatively impacting X-FAB's business.
- X-FAB may be subject to penalty payments if labor rights or environmental provisions are being violated.
- X-FAB's public image may be adversely affected based on the impact of its business on the environment.

Risks related to the shares

- Future sales of substantial amounts of X-FAB's ordinary shares, or the perception that such sales could occur, could adversely affect the market value of the shares.
- X-FAB may not be able to pay dividends.
- Investors with a reference currency other than euros will become subject to foreign exchange rate risk when investing in shares.
- Any sale, purchase, or exchange of shares may become subject to financial transaction tax.
- Certain provisions of the Belgian Companies and Associations Code and the Articles of Association may affect potential takeover attempts and may affect the market price of the shares.

Forward-looking information

This annual report may include forward-looking statements. Forward-looking statements are statements regarding or based upon management's current intentions, beliefs, or expectations relating to, among other things, X-FAB's future results of operations, financial condition, liquidity, prospects, growth, strategies, or developments in the industry in which it operates. By their nature, forward-looking statements are subject to risks, uncertainties, and assumptions that could cause actual results or future events to differ materially from those expressed or implied thereby. These risks, uncertainties, and assumptions could adversely affect the outcome and financial effects of the plans and events described herein.

Forward-looking statements contained in this annual report regarding trends or current activities should not be taken as a report that such trends or activities will continue in the future. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, unless legally required. You should not place undue reliance on any such forward-looking statements, which speak only as of the date of this annual report.

The information contained in this annual report is subject to change without notice. No re-report or warranty, express or implied, is made as to the fairness, accuracy, reasonableness, or completeness of the information contained herein, and no reliance should be placed on it.

11. GLOSSARY

AEC	Automotive Electronics Council
AI	Artificial intelligence
AIM	Automotive, industrial, medical
Analog M/S	Analog mixed-signal
ASIC	Application-specific integrated circuit
B2B	Business to business
BCCA	Belgian Code on Companies and Associations
BCD	Bipolar-CMOS-DMOS
Belgian Companies Code	The Belgian Act of May 7, 1999 containing the Companies Code as amended from time to time
Belgian GAAP	Belgian generally accepted accounting principles, which refers to the financial reporting framework applicable in Belgium
BMS	Battery management system
CAGR	Compound annual growth rate
CCC	Consumer, communications, computer
CDA	Clean dry air
CMOS	Complementary metal-oxide-semiconductor
Company	X-FAB Silicon Foundries SE
CRM	Customer relationship management
DBO	Defined benefit obligation
DNA	Deoxyribonucleic acid
DTI	Deep trench isolation
EBIT	Earnings before net finance cost and income taxes, which is equivalent to operating profit, as presented in the historical financial information
EBITDA	Earnings before net finance cost, income taxes, depreciation, and amortization.
ECL	Expected credit loss
EHS	Environmental, Health and Safety
ERP	Enterprise resource planning
ESEF	European Single Electronic Format
ESG	Environmental, social, governance
EU	The European Union
EUR, euros, or €	The common currency of the EU member states that are part of the Eurozone

Fab	Wafer fabrication facility
FSMA	The Belgian Financial Services and Market Authority
FTE	Full-time equivalent
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GDP	Gross domestic product
GHG	Greenhouse gases
GRI	Global Reporting Initiative
GVG	X-FAB Dresden Grundstücks-Vermietungsgesellschaft mbH & Co. KG
GWh	Gigawatt hours
IAASB	International Auditing and Assurance Standards Board
IATF	International Automotive Task Force
IC	Integrated circuit
ICC	International Chamber of Commerce
IDM	Integrated device manufacturer
IEEE	Institute of Electrical and Electronics Engineers
IFRS	International Financial Reporting Standards as adopted by the European Union
IoT	Internet of things
IP	Intellectual property
IPCEI	Important Projects of Common European Interest
ISAs	International Standards on Auditing
KW	Kilowatt
LiDAR	Light imaging, detection, and ranging
LTA	Long-term agreement
MCU	Microcontroller unit
MEMS	Micro-electro-mechanical systems
MES	Manufacturing execution system
MFI	X-FAB MEMS Foundry Itzehoe GmbH
M-MOS	M-MOS Semiconductor Sdn. Bhd.
MW	Megawatt
NCI	Non-controlling interest
NRE	Non-recurring engineering
NVM	Non-volatile memory
OCI	Other comprehensive income

OECD	Organization for Economic Cooperation and Development
OEM	Original equipment manufacturer
PCM	Process control monitoring
REACH	Registration, Evaluation, Authorization, and Restriction of Chemicals
RF	Radio frequency
PFC	Perfluorinated carbons
RoHS	Restriction of the use of certain hazardous substances
SCAR	Supplier corrective action request
SEM	Secure endpoint management
SE Regulation	Council Regulation (EC) No 2157/2001 of October 8, 2001 on the Statute for a European company (SE)
SiC	Silicon carbide
SOI	Silicon-on-insulator
STEM	Science, technology, engineering and mathematics
UPW	Ultra pure water
VDA	German Association of the Automotive Industry
WIP	Work in progress
WSPM	Wafer starts per month
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 Dresden	X-FAB Dresden GmbH & Co. KG and X-FAB Dresden Verwaltungs-GmbH
X-FAB France	X-FAB France SAS
X-FAB Texas	X-FAB Texas Inc.
X-FAB Sarawak	X-FAB Sarawak Sdn. Bhd.
X-FAB Japan	X-FAB Japan K.K.
XMFB	X-FAB MEMS Foundry GmbH
ZVEI	Electrical Industry Association, Germany

xfab

20 ANNUAL
23 REPORT

X-FAB Silicon Foundries SE

Investor Relations
Transportstraat 1
3980 Tessenderlo
Belgium