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INTERIM 20
REPORT 22

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List of abbreviations/definitions

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

1. Comments on the condensed consolidated interim financial statements

1.1 Summary of most important developments

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2021.

Highlights

In the first half of 2022, total revenue amounted to USD 367,495 thousand (first half of 2021: USD 316,375 thousand), an increase of 16.2% compared to the same period in the previous year. Business continued to develop strongly throughout the first half of 2022 and across all end markets.

Revenue in X-FAB's core business, namely automotive, industrial, and medical, came in at USD 299,615 thousand (first half of 2021: USD 252,991 thousand), an increase of 18.4% compared to the same period in the previous year.

X-FAB's core business generated 81.5% of total revenue (first half of 2021: 80.0%).

The Consumer, Communications & Computer business ("CCC business") came in at USD 66,096 thousand (first half of 2021: USD 62,954 thousand). This is a year-on-year increase of 5.0%.

Revenue analysis

in millions of U.S. dollars	Half-year ended Dec. 31, 2020	Half-year ended Jun. 30, 2021	Half-year ended Dec. 31, 2021	Half-year ended Jun. 30, 2022	Half-year y-o-y growth
Automotive	106.1	166.3	165.3	188.0	13%
Industrial	51.1	67.6	78.0	83.9	24%
Medical	19.7	19.1	28.8	27.7	45%
Subtotal core business	177.0 76.3%	253.0 80.0%	262.5 79.5%	299.6 81.5%	18%
CCC	54.6	63.0	68.7	66.1	5%
Others	0.4	0.4	0.6	1.8	325%
Total	231.9	316.4	330.1	367.5	16%

In the first half of 2022, demand continued to be strong. Across all its key end markets, X-FAB recorded strong double-digit growth in the first half of 2022, achieving record revenues in the automotive as well as industrial business. In particular, volume production revenues went up considerably, showing the focus on increasing wafer output amid the persisting chip shortage but as well as the accelerating demand driven by the transition to electric vehicles and green energy.

The Group has received support under short-term working and other government support schemes introduced in various countries to alleviate the economic effects of the COVID-19 pandemic. However, the amounts received did not have a significant effect on the results of the Group in the first half of the financial period 2022.

Subsidies under government support programs to alleviate the economic effects of the COVID-19 pandemic as well as other subsidies designed to offset ongoing operating costs are recognized as a deduction of cost of sales, research and development expenses, and general and administration expenses as appropriate, and have been recognized in the same period as the costs incurred that they are intended to offset provided it is reasonably assured that the Group has been, and will continue to be, in compliance with the terms and conditions to obtain and retain those subsidies. The ongoing commitments under the terms of those subsidies are not significant to the Group's operations.

In responding to the COVID-19 pandemic the Group's primary priority has been to ensure the health and well-being of X-FAB's employees with a variety of safety measures implemented at all locations, ultimately contributing positively to the continuity of production.

There have been no significant effects on the Group's balance sheet or on the carrying value or fair values of financial instruments as a result of the COVID-19 pandemic or the Russia-Ukraine war.

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 2022, cost of sales increased by USD 38,643 thousand or 16.1% compared to the first half of 2021 as a consequence of the increase in revenue. Cost of sales in the first half of the previous year was reported after deducting USD 6,563 thousand of government support in 2021 that had been paid to X-FAB in 2020 to offset direct salary and production-related costs as part of a program to offset the impact of the COVID-19 pandemic (further details are provided in notes 6.2 and 7.10 in the notes to the consolidated financial statements 2021).

Research and development expenses

Research and development expenses amounted to USD 20,679 thousand in the first half of 2022, representing 5.6% of revenue (first half of 2021: USD 17,174 thousand, 5.4% of revenue). The increase of 20.4% (USD 3,505 thousand) compared to the previous year's six-month period is more than proportionate to the change in revenue in 2022. Research and development expenses include grants in the amount of USD 2,660 thousand compared to USD 5,020 thousand in the first half of 2021. 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 and administrative expenses and selling expenses increased by USD 3,416 thousand (17%) compared to the first half of 2021. The increase was primarily driven by the increase in business.

Net finance costs

Net finance costs increased by USD 22,372 thousand in the first half of 2022 compared to the previous year due to higher interest expenses. Reference is made to note 2.5.5.20, Events after the reporting period.

Net income

The Group recorded a profit for the period for the first half of 2022 of USD 26,293 thousand compared to a profit of USD 39,511 thousand in the first half of 2021.

The announcement of third quarter results will take place on October 27, 2022.

1.2 Risk factors

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

- 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 global systemic economic or financial crisis, increased political uncertainty, or increased economic protectionism could negatively affect X-FAB.
- A significant portion of X-FAB's revenue comes from a relatively limited number of customers, with its largest customer being a related party.
- Due to X-FAB's relatively fixed-cost structure, its ability to grow profitability is dependent on its ability to maintain appropriate utilization levels.
- X-FAB faces difficulties in forecasting demand and may therefore be unable to match its production capacity to demand.
- X-FAB may be unsuccessful in its attempts to increase its production capacity and capabilities.
- X-FAB may not realize all the anticipated benefits from its acquisition of Altis' core business.
- X-FAB's expectations of an increase in market share by foundries might not occur.
- X-FAB may face increasing competition.
- X-FAB may face competitive pricing pressures.
- X-FAB may face raw material price increases.
- X-FAB is subject to risks associated with currency fluctuations.
- X-FAB is subject to risks associated with any form of cyber criminality.

1.3 Events after the reporting period

On July 13, 2022, X-FAB received the arbitration award resulting from an ongoing dispute with one of its suppliers. The award consisted of the following elements:

- X-FAB is required to pay the supplier USD 36.8 million provided that the supplier delivers material (see note 2.5.5.19).
- X-FAB is required to pay the supplier pre-award interests of USD 12.4 million (see note 2.5.5.4) and legal expenses of USD 1.4 million (see note 2.5.5.13).

Refer to note 2.5.5.20 of the condensed consolidated interim financial statements.

1.4 Board of Directors

The ultimate parent of the Company is XTRION NV. Although XTRION NV does not hold a majority of the Company's shares, it is the Company's largest shareholder and has a controlling interest given its dominant shareholding position relative to the size and dispersion of other shareholders. XTRION NV is a Belgian company that is controlled directly and/or indirectly by Roland Duchâtelet, Rudi De Winter and Françoise Chombar. Roland Duchâtelet is also chairman of the Supervisory Board of X-FAB GmbH and a member of the board of directors of X-FAB SE. Roland Duchâtelet and Françoise Chombar are also directors of Melexis NV.

X-FAB SE's Board of Directors manages the Company in accordance with the principles laid down in the Articles of Association and makes decisions on general policy, including assessment and approval of strategic plans and budgets, supervision of reports and internal audits, and other tasks assigned by law to the Board of Directors. In accordance with the Belgian Code on Companies and Associations, the Board of Directors has appointed Sensinnovat BV, represented by Mr. Rudi De Winter, as managing director (CEO), to whom it has delegated its managerial powers with the exception of general policy and all actions that are reserved to the Board of Directors by statutory provisions.

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

The directors of the Company at June 30, 2022 were as follows:

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

2. Condensed consolidated interim financial statements

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

in thousands of U.S. dollars	Note	For the six months ended June 30	
		2022	2021
Revenue	2.5.5.1/2.5.5.16/ 2.5.5.18	367,495	316,375
Cost of sales		(278,292)	(239,649)
Gross profit		89,203	76,726
Research and development expenses		(20,679)	(17,174)
Selling expenses		(4,117)	(4,127)
General and administrative expenses		(19,226)	(15,800)
Rental income and expenses from investment properties		478	1,295
Impairment loss on trade receivables		(178)	(144)
Other income and other expenses	2.5.5.2	766	858
Operating profit		46,247	41,634
Finance income	2.5.5.3	15,677	7,753
Finance costs	2.5.5.4	(32,643)	(10,271)
Net finance costs		(16,966)	(2,518)
Profit before tax		29,281	39,116
Income tax	2.5.5.5	(2,988)	395
Profit for the period		26,293	39,511
Attributable to:			
Equity holders of the Company		26,279	39,502
Non-controlling interests		14	9

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

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

in thousands of U.S. dollars	Note	For the six months ended June 30	
		2022	2021
Profit for the period		26,293	39,511
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligation (asset)		277	636
Items that are or may be transferred to profit or loss as follows:			
Foreign currency translation differences for foreign operations		682	153
Other comprehensive income for the period, net of income tax		959	789
Total comprehensive income for the period		27,252	40,300
Total comprehensive income attributable to:			
Equity holders of the Company		27,238	40,291
Non-controlling interests		14	9
Total comprehensive income for the period		27,252	40,300
Weighted average number of shares outstanding, basic and diluted		130,631,921	130,631,921
Earnings per share			
Basic and diluted (in U.S. dollars)	2.5.5.6	0.20	0.30

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

2.2 Condensed consolidated statement of financial position

in thousands of U.S. dollars	Note	June 30, 2022	December 31, 2021
ASSETS			
Non-current assets			
Property, plant, and equipment	2.5.5.7	397,012	340,670
Investment properties		8,070	8,310
Intangible assets		6,227	4,034
Other assets	2.5.5.9	7	28
Deferred tax assets	2.5.5.5	45,143	45,645
Total non-current assets		456,459	398,687
Current assets			
Inventories	2.5.5.8	198,427	181,014
Trade and other receivables	2.5.5.18	90,472	73,689
Income tax receivables		839	745
Other assets	2.5.5.9	48,634	42,609
Cash and cash equivalents	2.5.5.10	250,828	290,187
Total current assets		589,200	588,244
Total assets		1,045,659	986,931
EQUITY AND LIABILITIES			
Equity			
Share capital	2.5.5.11	432,745	432,745
Share premium	2.5.5.11	348,709	348,709
Retained earnings		(9,598)	(36,154)
Cumulative translation adjustment		123	(559)
Treasury shares		(770)	(770)
Total equity attributable to equity holders of the parent		771,209	743,971
Non-controlling interests		368	365
Total equity		771,577	744,336
Non-current liabilities			
Loans and borrowings	2.5.5.12	33,697	39,916
Other liabilities and provisions	2.5.5.13	3,996	5,686
Total non-current liabilities		37,693	45,602
Current liabilities			
Trade payables	2.5.5.18	43,157	41,364
Loans and borrowings	2.5.5.12	105,040	87,114
Income tax payable		5,023	3,184
Provisions	2.5.5.13	19,109	4,445
Other liabilities	2.5.5.14	64,060	60,886
Total current liabilities		236,389	196,993
Total equity and liabilities		1,045,659	986,931

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

2.3 Condensed consolidated statement of changes in equity

in thousands of U.S. dollars	Shares issued and fully paid	Share capital	Share premium	Retained earnings	Cumulative translation adjustment	Treasury shares	Total attributable to equity holders of the parent	Non-controlling interests	Total equity
At December 31, 2020	130,781,669	432,745	348,709	(120,603)	(747)	(770)	659,334	343	659,678
Profit for the period				39,502			39,502	9	39,511
Remeasurement of defined benefit plans				636			636		636
Currency translation effect					153		153	-	153
Total comprehensive income	-	-	-	40,138	153	-	40,291	9	40,300
Transactions with equity holders of the Company									
Distribution to non-controlling interests (GVG)								(11)	(11)
Total transactions with equity holders of the Company	-	-	-	-	-	-	-	(11)	(11)
At June 30, 2021	130,781,669	432,745	348,709	(80,465)	(594)	(770)	699,625	341	699,966
Profit for the period				44,105			44,105	24	44,129
Remeasurement of defined benefit plans				206			206		206
Currency translation effect					35		35	-	35
Total comprehensive income	-	-	-	44,311	35	-	44,346	24	44,370
At December 31, 2021	130,781,669	432,745	348,709	(36,154)	(559)	(770)	743,971	365	744,336
Profit for the period				26,279			26,279	14	26,293
Remeasurement of defined benefit plans				277			277		277
Currency translation effect					682		682	-	682
Total comprehensive income	-	-	-	26,556	682	-	27,238	14	27,252
Transactions with equity holders of the Company									
Distribution to non-controlling interests (GVG)								(11)	(11)
Total transactions with equity holders of the Company	-	-	-	-	-	-	-	(11)	(11)
At June 30, 2022	130,781,669	432,745	348,709	(9,598)	123	(770)	771,209	368	771,577

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

2.4 Condensed consolidated statement of cash flows

in thousands of U.S. dollars	Note	For the six months ended June 30	
		2022	2021
Cash flow from operating activities:			
Profit for the period		26,293	39,511
Income tax		2,988	(395)
Income before taxes		29,281	39,116
Reconciliation of net income to cash flow arising from operating activities:			
Depreciation and amortization, before effect of grants and subsidies	2.5.5.7	37,250	37,269
Amortization of investment grants and subsidies		(1,715)	(1,689)
Interest income and expenses (net)	2.5.5.3/ 2.5.5.4	13,198	(240)
Loss/(gain) on the sale of plant, property and equipment (net)		(177)	(392)
Other non-cash transactions (net)	1.3/2.5.5.15	8,682	(1,277)
Changes in working capital		(53,517)	(33,059)
Decrease/(increase) of trade and other receivables		(24,115)	(12,236)
Decrease/(increase) of other assets		(6,717)	(11,554)
Decrease/(increase) of inventories		(17,411)	(8,524)
(Decrease)/increase of trade payables		(5,356)	400
(Decrease)/increase of other liabilities and provisions		82	(1,145)
Income taxes (paid)/received		(215)	(1,747)
Net cash from operating activities		32,787	37,981
Cash flow from investing activities:			
Payments for property, plant, equipment, and intangible assets		(85,606)	(23,917)
Payments for loan investments to related parties		(148)	(129)
Proceeds from loan investments related parties		160	125
Proceeds from the sale of property, plant, and equipment		228	402
Interest received		512	938
Net cash used in investing activities		(84,854)	(22,581)

in thousands of U.S. dollars	Note	For the six months ended June 30	
		2022	2021
Cash flow from financing activities:			
Proceeds from loans and borrowings	2.5.5.12	22,542	4,479
Repayment of loans and borrowings	2.5.5.12	(4,170)	(11,850)
Receipts from sale and leaseback arrangements		7,723	-
Payment of lease liabilities		(3,017)	(2,702)
Receipt of government grants and subsidies		-	-
Interest paid		(571)	(698)
Dividends to non-controlling interests		(11)	(12)
Net cash from financing activities		22,496	(10,783)
Effects of changes in foreign currency exchange rates on cash balances		(9,786)	(5,374)
Net increase/(decrease) of cash and cash equivalents		(29,571)	4,617
Cash and cash equivalents at the beginning of the period		290,187	205,867
Cash and cash equivalents at the end of the period		250,830	205,110

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

2.5 Notes to the condensed consolidated interim financial statements

2.5.1 Company information

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

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

2.5.2 Basis of preparation

2.5.2.1 Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted by the European Union. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended December 31, 2021.

The condensed consolidated interim financial statements of X-FAB SE Group were authorized for issue in accordance with a resolution of the directors on September 1, 2022.

2.5.2.2 Use of estimates and judgements

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

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2021.

Measurement of fair values

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

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

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

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

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

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

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

2.5.3 Summary of significant accounting policies

The accounting policies applied are consistent with those applied in the annual consolidated financial statements ended December 31, 2021.

2.5.4 New accounting pronouncements

Amendments to standards effective for the period beginning on January 1, 2022

The following amendments to IFRS standards, which are effective for annual periods beginning on or before January 1, 2022, have been applied by the Group for the first time in preparing these condensed consolidated financial statements.

Standard/interpretation	Effective date: effective for annual periods beginning on or after
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework	January 1, 2022
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022

The above amendments to standards did not have any effect on the condensed interim consolidated financial statements of the X-FAB SE Group.

New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ending December 31, 2022, and have not been applied in preparing these condensed consolidated financial statements:

Standard/interpretation	Effective date: effective for annual periods beginning on or after
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current*	January 1, 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	January 1, 2023
IFRS 17 Insurance Contracts*	January 1, 2023
Amendments to IAS 12 Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*	January 1, 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	January 1, 2023

*Not yet endorsed by the European Union.

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

None of the above new or amended standards and interpretations is expected to have a significant effect on the consolidated financial statements of the X-FAB SE Group. The Group does not plan to adopt these standards early.

2.5.5 Notes

2.5.5.1 Revenue

Revenue comprises the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2022	2021
Gross revenue PCM wafer	325,452	278,815
Gross revenue NRE and technology services	45,399	39,373
Other revenue	9	11
Discounts and warranty credits	(3,365)	(1,824)
Total	367,495	316,375

The increase in revenues is due to strong business development in all of X-FAB's key end markets.

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

2.5.5.2 Other income and other expenses

Other income comprises the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2022	2021
Income from recharges	2,801	1,130
Income from sales of materials	134	270
Gains on disposals of property, plant, and equipment	177	393
Income other periods	21	49
Other	533	553
Total	3,666	2,395

Other expenses comprise the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2022	2021
Losses on disposal of property, plant, and equipment	-	(1)
Expenses from recharges	(2,801)	(1,130)
Expenses prior periods	(86)	(200)
Other	(13)	(206)
Total	(2,900)	(1,537)

2.5.5.3 Finance income

Finance income comprises the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2022	2021
Interest on financial assets measured at amortized cost:		
Interest on cash and cash equivalents	506	938
Change in fair value of financial assets and liabilities at fair value through profit or loss:		
Gains on other financial assets classified as held for trading	-	-
Other:		
Income from exchange rate differences	15,170	6,815
Total	15,676	7,753

Income from exchange rate differences includes unrealized exchange rate gains of USD 5,372 thousand (2021: losses of USD 1,255 thousand) on euro-denominated loans and borrowings.

2.5.5.4 Finance costs

Finance costs comprise the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2022	2021
Interest on financial liabilities measured at amortized cost:		
Loans and borrowings	(1,343)	(699)
Other interest	(12,362)	-
Other :		
Expenses from exchange rate differences	(18,938)	(9,573)
Total	(32,643)	(10,272)

Other interest of USD 12,362 thousand refers to an arbitration award as discussed in note 2.5.5.20.

Exchange rate expenses primarily include amounts of USD 4,100 thousand (2021: USD 4,511 thousand) resulting from the translation of cash balances denominated in Malaysian ringgit and USD 5,685 thousand (2021: USD 863 thousand) cash balances denominated in euros.

2.5.5.5 Income taxes

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

The income tax expense comprised the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2022	2021
Current taxes:		
Actual income tax charge for the period	(2,486)	(2,436)
Adjustment of prior years' tax charges	-	-
	(2,486)	(2,436)
Deferred taxes	(502)	2,831
Total	(2,988)	395

Changes in recognized deferred tax assets resulted in a decrease of deferred tax assets of USD 503 thousand (2021: increase of USD 2,831 thousand). The decrease in deferred tax assets is mainly due to derecognition of previously recognized deferred tax assets arising on property, plant, and equipment in Malaysia amounting to USD 354 thousand (2021: recognition of USD 2,857 thousand), which is the estimated pro-rata amount of the expected recognition for the full financial year 2022 based on latest forecasts.

The assumptions made and the method applied to calculate deferred taxes were consistent with the methods used at December 31, 2021. The actual income tax expense for the period primarily consists of accruals made for income taxes for the year to be paid in Malaysia, France, and Germany.

2.5.5.6 Earnings per share

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

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

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

2.5.5.7 Property, plant, and equipment

in thousands of U.S. dollars	Land	Buildings	Technical machinery and equipment	Factory and office equipment	Assets under construction	Total
Net book value 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	-	12	2,491	938	87,004	90,445
Disposals	-	-	(3,781)	(507)	-	(4,288)
Reclassifications	-	569	7,651	715	(8,955)	(20)
Effect of changes in exchange rates	-	-	-	477	-	477
Accumulated historical cost June 30, 2022	14,292	111,854	1,102,219	33,031	151,549	1,412,945
Accumulated depreciation January 1, 2022	(182)	(73,430)	(886,457)	(25,592)	-	(985,661)
Additions	(15)	(1,829)	(30,927)	(1,403)	-	(34,174)
Disposals	-	-	3,776	460	-	4,236
Effect of changes in exchange rates	-	-	-	(354)	-	(354)
Accumulated depreciation June 30, 2022	(197)	(75,259)	(913,608)	(26,869)	-	(1,015,933)
Net book value June 30, 2022	14,095	36,595	188,611	6,162	151,549	397,012

Assets under construction contain purchases of technical machinery and equipment in all X-FAB sites as a result of its group-wide capacity expansion program.

2.5.5.8 Inventories

in thousands of U.S. dollars	June 30, 2022	December 31, 2021
Materials and supplies	109,777	106,020
Work in progress	91,636	78,495
Finished goods	3,225	2,050
Merchandise	6	6
Write-downs	(6,217)	(5,558)
Total	198,427	181,013

The increase in raw materials and supplies and work in progress resulted from the build-up of inventories to secure the material supplies required to meet anticipated higher output levels resulting from the overall increase in business activity.

Allowances of USD 289 thousand (2021: USD 1,541 thousand) have been recorded against inventories and recognized as an expense in the period.

2.5.5.9 Other assets

Other assets comprise the following:

in thousands of U.S. dollars	June 30, 2022	December 31, 2021
R&D grants receivable	21,721	18,025
Prepaid expenses	18,209	18,112
Receivables from energy surcharges	2,143	3,116
Taxes (other)	5,026	1,353
Deposits	192	341
Investments	500	500
Investment grants and subsidies receivable	669	680
Other	174	482
Total	48,634	42,609

Prepaid expenses primarily relate to prepayments made for raw materials such as raw wafers.

Research and development grants receivable at June 30, 2022 include research and development tax credits and competitiveness and employment tax credits totaling USD 13,134 thousand attributable to X-FAB France (December 31, 2021: USD 9,217 thousand)

Other taxes mainly relate to VAT receivables.

2.5.5.10 Cash and cash equivalents

Cash and cash equivalents comprise the following:

in thousands of U.S. dollars	June 30, 2022	December 31, 2021
Cash and bank balances	248,653	287,907
Term deposits	2,175	2,280
Total	250,828	290,187

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

2.5.5.11 Equity

Share capital

X-FAB Silicon Foundries SE had 130,781,669 fully paid-in shares in issue throughout the reporting period for the first six months of 2022 and 2021.

Share premium

The share premium of X-FAB Silicon Foundries SE amounts to EUR 348,709 thousand (December 31, 2021: USD 348,709 thousand).

Retained earnings

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

Cumulative translation adjustment

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

Treasury shares

At June 30, 2022 and at December 31, 2021 the Group held 149,748 treasury shares (after the 2017 share split) of X-FAB Silicon Foundries SE held by its fully owned subsidiary X-FAB GmbH. Based on the purchase price of EUR 11.25 per share (before the 2017 share split), the treasury shares reduced the equity capital of the parent company by USD 770 thousand (December 31, 2021: USD 770 thousand).

2.5.5.12 Loans and borrowings

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

in thousands of U.S. dollars	June 30, 2022	December 31, 2021
Bank loans and overdrafts		
Variable interest Revolving Credit Facility denominated in USD	35,642	30,582
Maturity: 2022		
Interest rates: SOFR + 1.67%		
Repayment on maturity		
Variable interest Revolving Credit Facility denominated in EUR	53,657	42,944
Maturity: 2022		
Interest rates: EURIBOR + 1.0%		
Repayment on maturity		
Fixed interest bank loans denominated in EUR	21,132	23,247
Maturity: 2022-2029		
Interest rates: 0.85%-2.3%		
Repayments in monthly or quarterly installments		
Leasing arrangements		
Leasing liabilities denominated in EUR	8,142	9,209
Maturity: 2022-2028		
Interest rates: 1.26%-2.324%		
Repayment in monthly installments		
Liabilities for leases recognized on application of IFRS 16	20,164	21,048
denominated in USD, EUR and MYR		
Maturity: 2022-2034		
Interest rates: 0.02%-4.66%		
Repayment in monthly installments		
Total	138,737	127,030
Current loans and borrowings	105,040	87,114
Non-current loans and borrowings	33,697	39,916

Variable interest bank loans include loans amounting to USD 31,000 thousand and EUR 38,000 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 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. In the first half of 2022, USD 5,000 thousand and EUR 13,000 thousand were drawn in addition.

The movement in loans and borrowings includes income for realized and unrealized exchange rate gains of USD 5,372 thousand (2021: losses of USD 1,255 thousand) resulting from the effect of changes on exchange rates of euro-denominated loans. Loans and lease obligations totaling USD 7,186 thousand (2021: USD 14,552 thousand) have been repaid in the first six months of 2022.

2.5.5.13 Provisions

Provisions comprise the following:

in thousands of U.S. dollars	Warranty provisions	Employee provisions	Other	Total
January 1, 2022	3,691	820	-	4,511
Provided for	1,963	-	13,758	15,721
Utilized	(944)	(2)	-	(946)
Effect of changes in exchange rates	(60)	(9)	(48)	(117)
June 30, 2022	4,650	809	13,710	19,169

Other provisions refer to an arbitration award the Group received after the closing date as discussed in note 2.5.5.20.

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.

2.5.5.14 Other liabilities

Other current liabilities comprise the following:

in thousands of U.S. dollars	June 30, 2022	December 31, 2021
Accrued liabilities	20,458	17,523
For invoices not yet received	19,271	15,850
Royalties	369	376
Sales commission	317	307
Staff association	193	602
Other	308	386
Advances received	19,957	19,193
Deferred income	635	293
Employee-related liabilities	23,010	23,879
Wages	4,093	2,931
Earned holiday entitlement, incentives	11,979	12,469
Payroll taxes	3,866	3,870
Social security costs	3,072	4,609
Total	64,060	60,886

Increases in invoices not yet received are due to the overall increase in business activity levels and due to investments in technical machinery being made by the Group to expand production capacity.

2.5.5.15 Notes to the statement of cash flows

Non-cash transactions mainly include currency effects from exchange rate differences and increases in provisions.

In the reporting period, the Group received the cash from a sale and leaseback transaction for technical machinery, entered into in 2021.

2.5.5.16 Segment reporting

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

in thousands of U.S. dollars	For the six months ended June 30	
	2022	2021
Europe	224,093	200,002
Belgium	145,649	127,945
Germany	35,158	35,643
United Kingdom	19,967	16,894
Austria	6,922	5,801
France	4,047	4,202
Switzerland	3,797	3,132
Sweden	2,350	1,470
Denmark	1,619	868
Other	1,471	1,310
Finland	1,187	837
Netherland	1,035	792
Ireland	891	1,108
Asia	84,172	67,804
China	25,071	19,387
Japan	14,306	11,280
Malaysia	10,411	8,962
Singapore	8,295	7,930
Thailand	6,705	7,751
Korea	4,944	5,028
Taiwan	7,141	3,305
Hong Kong	4,857	1,830
New Zealand	1,851	1,659
Other	591	672
United States of America	57,372	47,010
Rest of the world	1,858	1,559
Total	367,495	316,375

2.5.5.17 Financial instruments – fair values and risk management

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.

Financial instruments measured at fair value

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

The Group held no financial instruments measured at fair value in the financial year and did not make use of forward foreign exchange contracts or interest rate swaps in the reporting period.

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

Accounting classifications and fair values

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

in thousands of U.S. dollars	Carrying amount	Fair value			
	Total	Level 1	Level 2	Level 3	Total
June 30, 2022					
Financial assets measured at amortized cost					
Trade and other receivables	90,472				
Cash and cash equivalents	250,828				
Financial liabilities measured at amortized cost					
Trade payables	(43,157)				
Bank loans, overdrafts, and lease liabilities	(138,737)	-	(138,930)	-	(138,930)
December 31, 2021					
Financial assets measured at amortized cost					
Trade and other receivables	73,689				
Cash and cash equivalents	290,187				
Financial liabilities measured at amortized cost					
Trade payables	(41,364)				
Bank loans, overdrafts, and lease liabilities	(127,030)	-	(127,223)	-	(127,223)

Management of risks arising from financial instruments

There have been no significant changes to the Group's financial risk management objectives or in the nature and extent of risks arising from financial instruments described in the consolidated financial statements for the year ended December 31, 2021.

There has been no significant effect on the carrying value or fair values of financial instruments arising from the COVID-19 pandemic or from the Russia-Ukraine war.

2.5.5.18 Transactions with related parties

Transactions with shareholders and their subsidiaries

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

in thousands of U.S. dollars	June 30, 2022	December 31, 2021
Trade accounts receivable due from Melexis group companies	35,422	22,224
Trade accounts receivable due from M-MOS group companies	3,777	2,961
Trade accounts receivable due from X-Celeprint	32	32
Trade accounts receivable due from X Display Company Technology	90	-
Total	39,321	25,217

in thousands of U.S. dollars	June 30, 2022	December 31, 2021
Trade accounts payable due to Melexis group companies	42	178
Trade accounts payable due to XTRION	-	21
Trade accounts payable due to M-MOS	77	59
Trade accounts payable due to Sensinovat	-	96
Trade accounts payable due to ESA	17	-
Other	5	22
Total	141	376

Sales and other income comprise the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2022	2021
Sales to Melexis group companies	146,725	127,385
Sales to M-MOS group companies	9,987	8,078
Sales to Anvo-Systems	-	50
Sales to X Display Company Technology	136	258
Sales to X-Celeprint	-	44
Property rental and other income from Melexis Group companies	955	946
Other income from M-MOS	25	27
Total	157,828	136,788

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

in thousands of U.S. dollars	For the six months ended June 30	
	2022	2021
Services provided by Melexis group companies	218	268
Services/purchases provided by M-MOS group companies	44	78
Services provided from Xtrion	21	-
Services purchased from Sensinovat	198	77
Services purchased from ESA	100	73
Warranty cost Melexis group	1,759	525
Total	2,340	1,021

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

Remuneration of directors and other persons with key management positions:

in thousands of U.S. dollars	For the six months ended June 30	
	2022	2021
Short-term employee benefits	782	532
Short-term employee benefits for members of management that are not on the payroll of the Company (CEO and CFO)	298	151
Directors' compensation	59	87
Total	1,139	770

2.5.5.19 Commitments

Purchase commitments comprise the following:

in thousands of U.S. dollars	June 30, 2022	December 31, 2021
Purchase commitments for:		
Property, plant, and equipment	151,840	67,621
Intangible assets	170	383
Material and services	71,832	36,163
Total	223,842	104,167

Purchase commitments primarily refer to purchase orders placed for investments in technical machinery to expand the Group's production capacity as well as increased wafer purchase commitments as discussed in note 2.5.5.20.

2.5.5.20 Events after the reporting period

On July 13, 2022, X-FAB received the arbitration award resulting from an ongoing dispute with one of its suppliers. The award consisted of the following elements:

- X-FAB is required to pay the supplier USD 36.8 million provided that the supplier delivers material (see note 2.5.5.19).
- X-FAB is required to pay the supplier pre-award interests of USD 12.4 million (see note 2.5.5.4) and legal expenses of USD 1.4 million (see note 2.5.5.13).

Tessenderlo, September 1, 2022

Managing Director, CEO

A handwritten signature in blue ink, consisting of a stylized 'R' followed by a long, sweeping horizontal line that ends in a small loop.

Sensinnovat BV
Represented by Rudi De Winter
CEO

3. Shareholder information

The following table describes the structure of shareholdings in X-FAB Silicon Foundries SE at June 30, 2022:

Company	Number of shares	% of total
XTRION NV	63,333,563	48.4%
Sarawak Technology Holdings Sdn. Bhd.	14,948,655	11.4%
Treasury shares	149,748	0.1%
Free float	52,349,703	40.0%
Total	130,781,669	100%

4. Statement of the Board of Directors

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

- the condensed consolidated interim financial statements which have been prepared in accordance with IFRS as adopted by the EU give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Company and the entities included in the consolidation as a whole; and
- the interim management's discussion and analysis provides a fair overview of the important events and major transactions of the issuer which occurred during the first six months of the financial year, and their impact on the set of condensed consolidated interim financial statements, and a description of the main risks and uncertainties which the issuer is exposed to.

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



Statutory auditor's report to the board of directors of X-FAB Silicon Foundries SE on the review of the condensed consolidated interim financial information as at June 30, 2022 and for the six-month period then ended

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of X-FAB Silicon Foundries SE as at June 30, 2022, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). The board of directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at June 30, 2022 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Hasselt, September 1, 2022

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises
Statutory Auditor
represented by

A handwritten signature in black ink, appearing to read 'Briers', is written over a horizontal line.

Jos Briers
Bedrijfsrevisor / Réviseur d'Entreprises

xfab

INTERIM 20
REPORT 22

X-FAB Silicon Foundries SE

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