MIXED-SIGNAL FOUNDRY EXPERTS

Interim Report / June 30, 2018

X-FAB Silicon Foundries SE

Contents

List of abbreviations/definitions

CMOS	Complementary metal-oxide-semiconductor
GVG	X-FAB Dresden Grundstücks-Vermietungsgesellschaft mbH & Co. KG
IPO	Initial public offering
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
SiC	Silicon carbide
X-FAB SE or the Company	X-FAB Silicon Foundries SE
X-FAB SE Group or the Group	X-FAB Silicon Foundries SE together with its subsidiaries
X-FAB GmbH	X-FAB Semiconductor Foundries GmbH
X-FAB GmbH Group	X-FAB Semiconductor Foundries GmbH together with its subsidiaries
X-FAB Dresden	X-FAB Dresden GmbH & Co. KG and X-FAB Dresden Verwaltungs-GmbH
X-FAB France	X-FAB France SAS
X-FAB TX	X-FAB Texas Inc.
X-FAB Sarawak	X-FAB Sarawak Sdn. Bhd.
X-FAB Japan	X-FAB Japan K.K.
XMF	X-FAB MEMS Foundry GmbH

1. Comments on the condensed consolidated interim financial statements

1.1 Summary of most important developments

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the Group's financial statements for the year ended December 31, 2017.

Highlights

In the first half of 2018, total revenue amounted to USD 299,027 thousand, an increase of 4% compared to the same period in the previous year.

X-FAB's core business, namely automotive, industrial, and medical, came in at USD 196,608 thousand and recorded a growth of 27% with strong contributions from each of the three key markets. The automotive business increased by 27%, industrial by 32%, whereas medical was up 14% compared to the first half of 2017.

The revenue share of X-FAB's core business moved up to 65.8% and was at 53.8% in the same period in the previous year.

Consumer, Communications & Computer business ("CCC business") based on X-FAB technologies came in at USD 52,579 thousand. This is a year-on-year decline of 5%. Compared to the previous six months, CCC business recovered mainly based on the progress made regarding the technology transfer to X-FAB France. The portion of X-FAB technology-based consumer business being manufactured at the French site has increased.

In the first half of 2018, the RF-SOI legacy business produced at X-FAB France showed the typical first half-year decline. The legacy business refers to former Altis Semiconductor business taken over with the acquisition in 2016. As planned, the overall legacy business is gradually decreasing and has dropped by 14% compared to the first half of 2017.

Revenue Breakdown per quarter

in millions of U.S. dollars	Half-year ending Dec 31, 2016	Half-year ending Jun 30, 2017	Half-year ending Dec 31, 2017	Half-year ending Jun 30, 2018	Half-year y-o-y growth
Automotive	111.9	113.8	136.7	144.4	27%
Industrial	27.6	31.7	35.3	41.8	32%
Medical	7.6	9.1	13.5	10.4	14%
Subtotal core business[1]	**147.0**	**154.6**	**185.4**	**196.6**	**27%**
	51.1%	53.8%	63.0%	65.8%	
CCC[2]	60.4	55.5	43.8	52.6	-5%
Others	1.0	1.3	1.7	0.8	-40%
Subtotal	**208.5**	**211.4**	**230.9**	**249.9**	**18%**
	72.4%	73.6	78.4%	83.6%	
X-FAB France legacy business[3]	31.4	57.3	63.5	49.1	-14%
Subcontracted business	47.9	18.6	0.0	0.0	-100%
Total revenues	**287.9**	**287.3**	**294.4**	**299.0**	**4%**

[1] *Excluding X-FAB France and Subcontracting Business*
[2] *Consumer, Communications & Computer including X-FAB France consumer business based on X-FAB technologies*
[3] *Former Altis Semiconductor business taken over with the acquisition in 2016; predominantly CCC business and a small amount of automotive and industrial business*

In the first half of 2018, X-FAB continued its activities to further adapt the Group's capacity and capabilities to the strong demand across all markets and manufacturing lines.

The capacity expansion of the Malaysian fab was completed as scheduled. The additional capacity of 4,000 wafer starts per months helped to alleviate the tight spare capacity at X-FAB Sarawak and contributed to the sales increase. After this expansion, X-FAB's total capacity is at 98,000 wafer starts per month (in 200mm equivalent wafers).

The transfer of X-FAB technologies to X-FAB France progressed with high priority with the first automotive production being on schedule for end of 2018. The site started to produce on a newly available technology platform, which had been transferred to X-FAB France in record time. The initial project, a consumer auto-focus application, achieved volume production yield on the very first wafers. In the first half 2018, the output of X-FAB France based on X-FAB technologies was at 14% compared to virtually zero in the same period last year.

The silicon carbide activities at X-FAB Texas continued to show good progress, with the SiC business being mainly driven by automotive applications used in electric vehicles in China, the world's largest market. In the first half of 2018, X-FAB started SiC volume production and has won an automotive IDM as customer for its SiC offering.

In the first half of 2018, prototyping revenues remained at a high level and are an indicator for the number of new contracts adding up to future production growth.

Cost of sales

Costs of sales include material expenses such as raw materials, the costs of maintaining fixed assets, depreciation, staff costs and cost for external services. In 2018, cost of sales increased by USD 9,802 thousand or 4% compared to 2017 which corresponds with the increase in revenue. Compared to the first half of 2017, in-house manufacturing grew by 11% partially offset by the subcontracting business that dropped to zero. The positive effect on profitability based on a higher utilization as well as a better economy of scale was neutralized by the development of the US-Dollar exchange rate.

Research and development expenses

Research and development expenses amounted to USD 16,126 thousand in the first half of 2018, representing 5% of revenue. The increase of 14% (USD 1,926 thousand) compared to the previous year's six-month period corresponds with the increase in revenue in 2018. The Group's research and development activities focus on development of new fabrication processes, optimization of existing processes using the Group's key process technologies and development of new integrated circuit features in order to meet the customers' analog/mixed signal needs.

General, administrative and selling expenses

General and administrative expenses and selling expenses remain on the same level compared to the first half of 2017. In 2017, the general and administrative expenses contained a portion of the costs occurred in relation with the share offering completed in April 2017 for an amount of USD 197 thousand.

Financial result

The net financial result decreased by USD 19,143 thousand in the first half of 2018 compared to the first half of 2017. This decrease relates to unrealized exchange rate effects mainly on euro-denominated currency balances and to changes in the fair values of currency hedges. The gains in the previous year resulted from unrealized exchange rate effects on the translation of euro-denominated currency balances and to net gains on derivative financial instruments. Due to change in exchange rates these effects from 2017 were partly reversed in 2018. Reference is made to note 2.5.5.2 and 2.5.5.3.

Net income

The Group recorded profit for the period for the first half of 2018 of USD 15,032 thousand compared to USD 35,307 thousand in the first half of 2017.

1.2 Risk Factors

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

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

1.3 Events after the reporting period

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

1.4 Board of Directors

X-FAB SE's controlling shareholder is XTRION NV, a Belgian company which is controlled directly and/or indirectly by Roland Duchâtelet, Rudi De Winter and Françoise Chombar. Roland Duchâtelet is also chairman of the Supervisory Board of X-FAB GmbH and a member of the board of directors of X-FAB SE. Roland Duchâtelet and Françoise Chombar are directors at Melexis NV as well.

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

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

The directors of the Company at June 30, 2018 were as follows

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

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	
		2018	2017
Revenue	2.5.5.1/2.5.5.13/ 2.5.5.15	299,027	287,282
Cost of sales		(243,844)	(234,042)
Gross profit		**55,183**	**53,240**
Research and development expenses		(16,126)	(14,200)
Selling expenses		(4,148)	(4,522)
General and administrative expenses		(15,403)	(14,707)
Rental income and expenses from investment properties		1,009	1,010
Other income and other expenses		(1,126)	(98)
Operating profit		**19,389**	**20,723**
Finance income	2.5.5.2	14,515	25,641
Finance costs	2.5.5.3	(19,091)	(11,074)
Net financial result		**(4,576)**	**14,567**
Profit before taxes		**14,813**	**35,290**
Income tax	2.5.5.4	219	17
Profit for the period		**15,032**	**35,307**
Attributable to:			
Equity holders of the parent		15,020	35,332
Non-controlling interest	2.5.5.10	12	(25)

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	
		2018	2017
Profit for the period		**15,032**	**35,307**
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		49	305
Income tax on other comprehensive income		-	-
Other comprehensive income for the period, net of income tax		**49**	**305**
Total comprehensive income for the period		**15,081**	**35,612**
Total comprehensive income attributable to			
Owners of the Company		15,069	35,637
Non-controlling interest		12	(25)
Total comprehensive income for the period		**15,081**	**35,612**
Weighted average number of shares outstanding, basic and diluted		130,631,921	114,057,335
Earnings per share			
Basic and diluted (in U.S. dollars)	2.5.5.5	0.11	0.31

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, 2018	December 31, 2017
ASSETS			
Non-current assets			
Property, plant, and equipment	2.5.5.6	319,113	315,856
Investment properties		8,777	9,033
Intangible assets		8,317	7,060
Non-current investments		727	559
Other non-current assets		14,682	10,809
Deferred tax assets	2.5.5.4	35,665	32,959
Total non-current assets		**387,281**	**376,276**
Current assets			
Inventories	2.5.5.7	118,943	105,847
Trade and other receivables	2.5.5.15	81,962	82,008
Income tax receivables		1,042	1,997
Other assets	2.5.5.8	18,804	26,274
Cash and cash equivalents	2.5.5.9	295,345	319,235
Total current assets		**516,096**	**535,361**
Total assets		**903,377**	**911,637**
EQUITY AND LIABILITIES			
Equity			
Share capital	2.5.5.10	432,745	432,745
Share premium	2.5.5.10	348,709	348,709
Retained earnings		(91,794)	(106,814)
Cumulative translation adjustment		(444)	(493)
Treasury shares		(770)	(770)
Total equity attributable to equity holders of the parent		**688,446**	**673,377**
Non-controlling interests		357	357
Total equity		**688,803**	**673,734**
Non-current liabilities			
Non-current loans and borrowings	2.5.5.11	88,396	106,178
Non-current provisions		82	87
Other non-current liabilities		8,289	8,785
Total non-current liabilities		**96,767**	**115,050**
Current liabilities			
Trade payables	2.5.5.12/2.5.5.15	25,866	36,684
Current loans and borrowings	2.5.5.11	36,062	37,799
Income tax payable		1,280	503
Provisions		2,435	2,914
Other current liabilities	2.5.5.12	52,164	44,953
Total current liabilities		**117,807**	**122,853**
Total equity and liabilities		**903,377**	**911,637**

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

2.3 Condensed 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 parent	Non-controlling interests	Total equity
At January 1, 2017		**99,531,669**	**265,231**	**255,262**	**(196,506)**	**(879)**	**(770)**	**322,338**	**400**	**322,738**
Profit for the period					35,332			35,332	(25)	35,307
Currency translation effect, net of tax						305		305	-	305
Total comprehensive income		-	-	-	**35,332**	**305**	-	**35,637**	**(25)**	**35,612**
Transactions with owners of the company										
Issue of ordinary shares on April 4, 2017		31,250,000	167,514	99,062				266,576		266,576
Less directly related IPO costs				(7,389)				(7,389)		(7,389)
Less deferred tax				1,774				1,774		1,774
Distribution to non-controlling interests (GVG)									(10)	(10)
Total transactions with owners of the Company		**31,250,000**	**167,514**	**93,447**	-	-	-	**260,961**	**(10)**	**260,951**
At June 30, 2017		**130,781,669**	**432,745**	**348,709**	**(161,174)**	**(574)**	**(770)**	**618,936**	**365**	**619,301**
Profit for the period					54,458			54,458	(7)	54,451
Remeasurement of defined benefit plans					(98)			(98)		(98)
Currency translation effect						81		81		81
Total comprehensive income		-	-	-	**54,360**	**81**	-	**54,441**	**(7)**	**54,434**
At January 1, 2018		**130,781,669**	**432,745**	**348,709**	**(106,814)**	**(493)**	**(770)**	**673,377**	**357**	**673,734**
Profit for the period					15,020			15,020	12	15,032
Currency translation effect						49		49		49
Total comprehensive income		-	-	-	**15,020**	**49**	-	**15,069**	**12**	**15,081**
Transactions with owners of the company										
Distribution to non-controlling interests (GVG)									(12)	(12)
Total transactions with owners of the Company		-	-	-	-	-	-	-	**(12)**	**(12)**
At June 30, 2018		**130,781,669**	**432,745**	**348,709**	**(91,794)**	**(444)**	**(770)**	**688,446**	**357**	**688,803**

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	
		2018	2017
Cash flow from operating activities:			
Profit for the period		15,032	35,307
Income tax		(219)	(17)
Income before taxes		**14,813**	**35,290**
Reconciliation of net income to cash flow arising from operating activities:		**31,897**	**12,461**
Depreciation and amortization, before effect of grants and subsidies	2.5.5.6	29,413	27,509
Recognised investment grants and subsidies netted with depreciation and amortization		(1,639)	(1,862)
Interest income and expenses (net)	2.5.5.2/2.5.5.3	654	1,649
Loss/(gain) on the sale of plant, property, and equipment (net)		671	-
Loss/(gain) on the change in fair value of derivatives and financial assets (net)	2.5.5.14	3,206	(7,739)
Currency differences (net)	2.5.5.2/2.5.5.3	235	(8,156)
Other non-cash transactions (net)		(643)	1,060
Changes in working capital:		**(14,238)**	**(10,470)**
Decrease/(increase) of trade and other receivables		863	8,877
Decrease/(increase) of other receivables and prepaid expenses		(163)	(4,560)
Decrease/(increase) of inventories		(13,097)	(7,205)
(Decrease)/increase of trade payables		(7,055)	(17,343)
(Decrease)/increase of other liabilities		5,214	9,761
Income taxes (paid)/received		(148)	(252)
Cash flow from operating activities		**32,324**	**37,029**

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

2.4 Condensed consolidated statement of cash flows (continued)

in thousands of U.S. dollars	Note	For the six months ended June 30	
		2018	2017
Cash flow from investing activities:			
Payments for property, plant, equipment, and intangible assets		(38,497)	(49,992)
Payments for loan investments to related parties		(127)	(62)
Proceeds from loan investments related parties		96	81
Proceeds from the sale of property, plant, and equipment		18	1
Interest received		1,413	797
Cash flow used in investing activities		**(37,097)**	**(49,175)**
Cash flow from financing activities:			
Repayment of loans and borrowings	2.5.5.11	(16,562)	(15,204)
Payments of lease installments		(1,314)	(1,239)
Receipt of government grants and subsidies		357	47
Interest paid		(1,133)	(1,389)
Gross proceeds from capital increase	2.5.5.10	-	266,575
Direct cost related to capital increase	2.5.5.10	-	(7,389)
Distribution to non-controlling interests		(12)	(11)
Cash flow from financing activities		**(18,664)**	**241,390**
Effects of changes in foreign currency exchange rates on cash balances		**(453)**	**16,906**
Increase/(decrease) of cash and cash equivalents		(23,437)	229,244
Cash and cash equivalents at the beginning of the period		**319,235**	**104,157**
Cash and cash equivalents at the end of the period		**295,345**	**350,307**

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

2.5 Notes to the condensed consolidated interim financial statements

2.5.1. Company information

X-FAB Silicon Foundries SE (hereafter referred to as "X-FAB SE," "the Company," or "the parent company" and, together with its subsidiaries, as "X-FAB SE Group" or "the Group") is a European limited company (Societas Europaea/SE) registered under the number BEO882.390.885 in Hasselt, Belgium. The Company is a holding company for the Group's investments in pure play semiconductor wafer companies. The Company's registered address is Transportstraat 1, 3980 Tessenderlo, Belgium.

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

2.5.2 Basis of preparation

2.5.2.1 Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as endorsed by the European Union. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended December 31, 2017.

The condensed consolidated interim financial statements of X-FAB SE Group were authorized for issue in accordance with a resolution of the directors on August 20, 2018.

2.5.2.2 Use of estimates and judgments

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

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2017. In addition, significant judgements have been made in respect of IFRS 15. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. Reference to note 2.5.4 is made.

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, 2017. Effects from changes in accounting policies due to adoption of the new IFRS standards IFRS 9 and IFRS 15 are disclosed in note 2.5.4.

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

2.5.4 New accounting pronouncements

The following new standards and amendments to standards are effective for annual periods beginning on or after January 1, 2018:

Standard/interpretation	Effective Date
IFRS 9 Financial Instruments	January 1, 2018
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions	January 1, 2018
Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	January 1, 2018
Amendments to IAS 40 Transfers of Investment Property	January 1, 2018
Annual Improvements to IFRSs 2014–2016	January 1, 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23 Uncertainty over Income Tax Treatments*	January 1, 2019
IFRS 16 Leases	January 1, 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures*	January 1, 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement*	January 1, 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle*	January 1, 2019
Amendments to References to the Conceptual Framework in IFRS Standards*	January 1, 2020
IFRS 17 Insurance Contracts*	January 1, 2021

**Not yet endorsed by the European Union*

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

IFRS 9 Financial Instruments

The Group adopted IFRS 9 Financial Instruments from January 1, 2018. IFRS 9 Financial Instruments is the replacement of IAS 39 Financial Instruments: Recognition and Measurement. The standard includes new requirements for recognition and measurement, impairment, derecognition, and general hedge accounting. IFRS 9 defines new classes of financial instruments and determines more specifically the classification of financial instruments in the new classes. IFRS 9 also includes a new approach for determining impairment of non-derivative financial assets, in particular receivables, based on the expected loss model and requires the recording of forward-looking allowances against the potential future impact of losses from defaults on receivables.

On implementation of IFRS 9 on January 1, 2018 the Group made allowances against the potential future impact of losses from defaults on the Group's trade accounts receivable amounting to USD 358 thousand, based on the Group's expectation of the rate of default and the expected loss to be incurred in case of default. This expected loss allowance was reduced to USD 299 thousand as at June 30, 2018. Both the initial recognition of the expected loss allowance and the change in the expected loss allowance have been recorded in other expenses in the consolidated statement of profit and loss for the period. The initial recognition of the expected loss allowance was not recorded as an adjustment to opening retained earnings due to the relative insignificance of the amounts. This expected loss allowance is made in addition to the allowances recorded for expected losses on individual impaired balances which had already been recorded in previous reporting periods under IAS 39, the predecessor to accounting standard IFRS 9.

Due to the limited impact of the transition to IFRS 9 the Group has applied a simplification exemption under the IFRS 9 transition provisions and has not restated the reported amounts in the consolidated statement of profit and loss and other comprehensive income and consolidated statement of financial position for the financial year 2017 as if IFRS 9 had also been applied in the previous reporting period.

IFRS 15 Revenue from Contracts

IFRS 15 Revenue from Contracts with Customers specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. Based on this model revenue is recognized at the moment when control is transferred to the customer (in other words, when the goods are transferred to the customer). This can be at a specific point in time or over a period of time.

As the wafer manufacturing process creates an asset (initially unfinished wafers and then finished wafers) with no alternative use to the Group, X-FAB is required to determine whether it has an enforceable right to payment for performance completed to date at all times during the contract for the case that the contract would be terminated by the customer for a reason other than the entity's failure to perform. For contracts where such a right exists, revenue shall be recognized successively over a period of time on a basis which reflects the progress to meet the Group's obligations under the contract. The standard requires new assets and liabilities to be recorded known as contract assets and liabilities which reflect the difference between the entity's performance completed to date in comparison with the payments made by the customer at the same date. In practice, a contract asset will generally correspond to an invoice to be issued and a contract liability shall be recorded to account for net customer down payments where the performance obligation has not been satisfied, or has only partly been satisfied in a proportion that is less than the proportion of the total consideration represented by the down payments. For all other contracts, revenue shall be recognized at a specific point in time, when the goods are transferred to the customer.

The Group has performed an analysis of its contracts to determine which contracts fulfil the criteria requiring revenue to be recognized over a period of time and which contracts meet the criteria requiring revenue to be recognized when the goods are transferred to the customer. For the analysis the full retrospective method was applied. The implementation of IFRS 15 has not resulted in any adjustments to the reported amounts of revenues or work in progress or any other separate presentation of contract costs and liabilities as the amounts on initial implementation and subsequent dates are not significant.

The assessment of the contracts in determination of the timing of transfer of control required judgement. The details are set out below:

Type of product	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Sale of process control wafer (PCM wafer)	In all cases X-FAB does not create an asset with an alternative use as the wafer is generally customer specific. For the majority of contracts/contracts with most important customers X-FAB has determined that there is no enforceable right to payment for performance completed in case a customer would terminate the contract without cause. Specific focus was put on whether such a right to payment also provides for a reasonable profit margin. In addition to the contracts, the legal framework of the countries in which X-FAB operates was analyzed. According to the assessment only a limited number of contracts contain an enforceable right to payment and would require a recognition of revenue over time. Wafer sales are invoiced upon delivery; they do not contain variable consideration and are usually payable within 30 days.	X-FAB has not changed it‘s accounting policy due to the fact only a limited number of contracts have a right to payment. Therefore, the potential recognition of revenue overtime would be considered as non-material. X-FAB continues to recognize revenue from PCM wafer at a point in time.
NRE and technology services	In all cases of non-recurring engineering services/technology services X-FAB does not create an asset with an alternative use as the prototype wafer is generally customer specific. Invoices are issued according to contractual terms - based on milestones - and are usually payable within 30 days. 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 to complete the performance obligation.	X-FAB has not changed it‘s accounting policy. X-FAB continues to recognize revenue from NRE and technology services over time.
Other revenue	IFRS 15 did not have a significant impact on the Group‘s accounting policies.	IFRS 15 did not have a significant impact on the Group‘s accounting policies.

Further, the implementation of IFRS 15 did not result in contract costs to be capitalized as X-FAB does not incur costs that meet the requirements to be capitalized as costs of obtaining a contract. Our analysis also showed that the implementation of IFRS 15 did not result in fulfillment costs to be capitalized as the relevant costs related to performance are accounted for in accordance with IAS 2, IAS 16 or IAS 38.

IFRS 16 Leases

IFRS 16 Leases specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 Leases replaces existing guidance on how an IFRS reporter will recognize, measure, present, and disclose leases. The new standard is effective for annual periods beginning on or after January 1, 2019. The standard provides a single lessee accounting model, requiring lessees to recognize right-of-use assets representing its right to use the underlying asset and a lease liability representing is obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value assets. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Group is currently preparing a quantitative and qualitative assessment of the impact of IFRS 16. As a result of the implementation of IFRS the Group will recognize new assets and liabilities for leases which are currently classified as operating leases, however the amounts of these new assets and liabilities has not yet been determined. In addition, the nature of expenses related to those leases will now change as IFRS

16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Group anticipates that it will apply the modified retrospective approach under the IFRS 16 transition provisions and that it will not restate the reported amounts in the consolidated statement of profit and loss and other comprehensive income and consolidated statement of financial position for the financial year 2017 and that the right-of-use assets recognized for leased assets as a result of the implementation of IFRS 16, to the extent that they were not already recognized under the predecessor accounting standards, will be recognized at the same amounts as the associated leasing liabilities, so that no effect on equity is expected on transition to IFRS 16. The Group will provide disclosures necessary to understand the effect of transition to IFRS 16.

Other new or amended standards and interpretations

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

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	
	2018	2017
Gross revenue PCM wafer	273,509	262,196
Gross revenue NRE and technology services	27,190	26,325
Other revenue	12	7
Discounts and warranty credit notes	(1,684)	(1,246)
Total	**299,027**	**287,282**

2.5.5.2 Finance income

Finance income comprises the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2018	2017
Change in fair value of financial assets at fair value through profit or loss:		
Held for trading	167	189
Interest income on loans and receivables	1,502	871
Income from exchange rate differences	12,604	16,710
Net gain from derivative financial instruments	242	7,871
Total	**14,515**	**25,641**

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

2.5.5.3 Finance costs

Finance costs comprise the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2018	2017
Interest expenses from loans and borrowings	(2,156)	(2,520)
Expenses from exchange rate differences	(12,839)	(8,554)
Net loss on derivative financial instruments	(4,096)	-
Total	**(19,091)**	**(11,074)**

Exchange rate expenses primarily contain the translation effects of euro-denominated loans and cash. Reference is made to note 2.5.5.11. The net loss from derivative financial instruments results from the decrease of the positive fair value compared to prior year due to termination of currency hedge contracts. Reference is made to note 2.5.5.14.

2.5.5.4 Income taxes

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

The income tax expense comprised the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2018	2017
Actual income tax charge for the period	(2,487)	(1,022)
Deferred taxes	2,706	1,039
Total	**219**	**17**

Changes in recognized deferred tax assets resulted in an increase of the deferred tax asset of USD 2,706 thousand (2017: income of USD 3,550 thousand). The increase in deferred tax assets recognized on property, plant, and equipment is mainly due to recognition of previously unrecognized deferred tax assets in Malaysia for the amount of USD 2,706 thousand 2017: (USD 1,038 thousand), which has been estimated as a pro-rata amount of the expected recognition for the full financial year 2018. In 2017 additional deferred tax assets of USD 2,511 thousand resulting from the future tax deductibility of the costs of the initial public offering (IPO) at X-FAB Silicon Foundries SE were recognized. Due to the fact that the transactions costs incurred in connection with the share issue were offset against the proceeds from the share issue and not recorded as expenses in the period, the additional deferred tax assets resulting from the future tax deductibility of the costs of the initial public offering losses were recorded directly in equity and not as additional income in the consolidated statement of profit and loss.

2.5.5.5 Earnings per share

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

The weighted average number of ordinary shares is calculated as follows:

in thousands of shares	2018	2017
Issued ordinary shares on January 1	**130,632**	**99,382**
Effect of shares issued in April 2017	-	14,675
Weighted average number of ordinary shares	**130,632**	**114,057**

The weighted average number of ordinary shares outstanding during the first half of the previous year and for preceding periods has been adjusted for the share split effected on March 16, 2017 as this resulted in a change in the number of ordinary shares outstanding from 33,127,307 to 99,381,921 without a correspon-ding change in resources. As a result the weighted average number of ordinary shares of the comparative period has been adjusted as if the event had occurred at the beginning of the earliest period presented.

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

2.5.5.6 Property, plant, and equipment

in thousands of U.S. dollars	Land	Buildings	Technical machinery and equipment	Factory and office equipment	Assets under construction	Total
Net book value January 1, 2018	**13,659**	**41,404**	**202,309**	**5,849**	**52,635**	**315,856**
Accumulated historical cost January 1, 2018	**13,734**	**102,908**	**890,771**	**23,248**	**53,467**	**1,084,128**
Additions	-	341	7,944	262	23,961	32,508
Disposals	-	(1,718)	(3,472)	(150)	-	(5,340)
Reclassifications	35	40	37,036	609	(37,730)	(10)
Currency translation effect	(22)	(219)	(2,092)	(54)	(108)	(2,495)
Accumulated historical cost June 30, 2018	**13,747**	**101,352**	**930,187**	**23,915**	**39,590**	**1,108,791**
Accumulated depreciation January 1, 2018	**(75)**	**(61,504)**	**(688,462)**	**(17,399)**	**(832)**	**(768,272)**
Additions	(7)	(1,404)	(23,930)	(1,225)	-	(26,566)
Disposals	-	1,031	3,472	148	-	4,651
Disposals	-	-	(142)	-	142	-
Currency translation effect	(1)	-	465	45	-	509
Accumulated depreciation June 30, 2018	**(83)**	**(61,877)**	**(708,597)**	**(18,431)**	**(690)**	**(789,678)**
Net book value June 30, 2018	**13,664**	**39,475**	**221,590**	**5,484**	**38,900**	**319,113**

Impairment charges were not recorded against the carrying values of fixed assets in the reporting period.

2.5.5.7 Inventories

in thousands of U.S. dollars	June 30, 2018	December 31, 2017
Materials and supplies	75,346	65,345
Work in progress	43,086	39,380
Finished goods	4,815	5,682
Allowances	(4,304)	(4,561)
Total	**118,943**	**105,846**

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

Allowances of USD 54 thousand (2017: USD 587 thousand) have been recorded against inventories and recognized as an expense in the period.

2.5.5.8 Other assets

Other assets comprise the following:

in thousands of U.S. dollars	June 30, 2018	December 31, 2017
Taxes (other)	5,168	6,808
Prepaid expenses	4,676	3,597
R&D grants receivable	4,946	5,449
Investment grants and subsidies receivable	816	816
Deposits	898	1,724
Receivables from energy surcharges	926	2,954
Derivatives	-	4,096
Other	1,374	830
Total	**18,804**	**26,274**

The fair value of derivatives changed due to termination of the currency hedge contracts. Reference is made to note 2.5.5.14.

2.5.5.9 Cash and cash equivalents

Cash and cash equivalents comprise the following:

in thousands of U.S. dollars	June 30, 2018	December 31, 2017
Cash and bank balances	292,521	316,461
Restricted cash	2,824	2,774
Total	**295,345**	**319,235**

An analysis of the movements of cash and cash equivalents is reported in the cash flow statement.
The movements in the previous year included the net cash inflows of USD 259,187 thousand, reported net of directly related IPO costs of USD 7,389 thousand incurred in connection with the 2017 initial public offering described in note 2.5.5.10.

2.5.5.10 Equity

Share capital

X-FAB Silicon Foundries SE has 130,781,669 fully paid-in shares in issue throughout the reporting period for the first six months of 2018. In the previous year, the 33,177,223 shares in issue prior to the initial public offering (IPO) at Euronext Paris in April 2017 were split into 99,531,669 shares in preparation for the IPO, and 31,250,000 new shares with a fractional value of EUR 5.0271 per share were issued during the IPO at an exercise price of EUR 8.00 per share.

As a result of the IPO the share capital increased by a total of EUR 157,098 thousand (USD 167,513 thousand).

Share premium

The share premium of X-FAB Silicon Foundries SE amounts to EUR 348,709 thousand (December 31, 2017: USD 348,709 thousand), including the increase in 2017 of EUR 92,902 thousand (USD 99,062 thousand), representing the excess of paid-in capital (EUR 8.00 per share) over fractional value (EUR 5.0271 per share) for the shares issued in April 2017.

Costs that were directly attributable to the issuance of new shares within the primary offering in 2017 (such as underwriter fees, comfort letter costs) were deducted from equity. Qualifying costs that relate to both existing shares and new shares (such as legal and roadshow costs) were allocated to equity in proportion to the number of shares relating to the primary offering (62.5%). The remaining costs were presented as an expense in general and administrative expenses and are non-recurring expenses. The IPO costs deducted from share premium totaled USD 7,389 thousand, net of related tax effects of USD 1,774 thousand. The Company received net cash inflows of USD 259,187 thousand as a result of the new shares issued in the IPO, net of associated expenses.

The portion of the IPO expenses recorded in general and administrative expenses in 2017 amounted to USD 182 thousand.

2.5.5.11 Current and non-current loans and borrowings

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

in thousands of U.S. dollars	June 30, 2018	December 31, 2017
Bank loans and overdrafts		
Fixed interest bank loans denominated in EUR Maturity: 2017 – 2021 Interest rates: 1.4% – 2.7% Repayments in monthly or quarterly installments	64,434	78,163
Variable interest bank loans denominated in EUR Maturity: 2017 – 2021 Interest rates: EURIBOR + 1.69% – EURIBOR + 2% Repayments in quarterly installments	23,802	29,238
Redeemable preference share agreement – State Financial Secretary of Sarawak denominated in USD Maturity: 2030 Interest free and 2.0% preference dividend Repayment at maturity date	30,401	29,293
Leasing arrangements		
Finance leasing liabilities denominated in EUR Maturity: 2017 – 2021 Interest rates: 0.6% – 9.6% Repayment in monthly installments	5,821	7,283
Total	**124,458**	**143,977**
Current loans and borrowings	**36,062**	**37,799**
Non-current loans and borrowings	**88,396**	**106,178**

The Group's exchange rate gains and losses include expenses for realized and unrealized exchange rate gains of USD 2,751 thousand resulting from the translation of euro-denominated loans (2017: losses of USD 9,026 thousand). Loans and finance lease obligations totaling USD 17,876 thousand have been repaid in the first six months of 2018 (2017: USD 16,443 thousand).

2.5.5.12 Trade payables and other current liabilities

Other current liabilities comprise the following:

in thousands of U.S. dollars	June 30, 2018	December 31, 2017
Accrued liabilities	**22,919**	**15,771**
For invoices not yet received	19,401	14,052
Repayment of electricity cost discounts	1,520	896
Royalties	254	132
Sales commission	389	394
Other	1,355	297
Advances received	5,953	6,240
Derivatives	442	536
Deferred income	926	919
Employee-related liabilities	**20,943**	**19,144**
Wages	1,710	2,019
Earned holiday entitlement, incentives	12,055	10,520
Payroll taxes	3,422	2,533
Social security costs	3,756	4,072
Other taxes	-	1,391
Other	981	951
Total	**52,164**	**44,952**

2.5.5.13 Segment reporting

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

in thousands of U.S. dollars	For the six months ended June 30	
	2018	2017
Europe	**184,004**	**156,063**
Austria	6,596	3,404
Belgium	120,551	91,382
Denmark	880	595
France	4,307	3,393
Germany	29,714	32,877
Italy	533	464
Other	2,762	1,872
Sweden	3,718	5,413
Switzerland	3,272	2,047
United Kingdom	11,671	14,616
Asia	**57,951**	**66,605**
China	11,976	30,893
Hong Kong	1,195	480
Japan	6,675	5,111
Korea	5,321	5,340
Malaysia	9,683	6,541
Other	2,091	1,485
Singapore	15,128	9,310
Taiwan	1,135	2,419
Thailand	4,747	5,026
United States of America	**56,558**	**64,242**
Rest of the World	**514**	**372**
Total	**299,027**	**287,282**

2.5.5.14 Financial instruments – fair values and risk management

Accounting classifications and fair values

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

June 30, 2018

in thousands of U.S. dollars	Carrying amount	Fair value			
	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Investments (held for trading)	727	727	-	-	727
Financial assets not measured at fair value					
Trade and other receivables (loans and receivables)	81,962	-	-	-	-
Cash and cash equivalents	295,345	-	-	-	-
Financial liabilities measured at fair value					
Interest rate swaps (held for trading)	(442)	-	(442)	-	(442)
Financial liabilities not measured at fair value					
Trade payables (financial liabilities at amortized cost)	(25.866)				
Bank loans, overdrafts and finance lease (financial liabilities at amortized cost)	(94,057)	-	(92,855)	-	(92,855)
Related party loans (financial liabilities at amortized cost)	(30,401)	-	(30,105)	-	(30,105)

December 31, 2017

in thousands of U.S. dollars	Carrying amount	Fair value			
	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Investments (held for trading)	559	559	-	-	559
Currency hedge contracts (held for trading)	4,096	-	4,096	-	4,096
Financial assets not measured at fair value					
Trade and other receivables (loans and receivables)	82,008	-	-	-	-
Cash and cash equivalents	319,235	-	-	-	-
Financial liabilities measured at fair value					
Interest rate swaps (held for trading)	(536)	-	(536)	-	(536)
Financial liabilities not measured at fair value					
Trade payables (financial liabilities at amortized cost)	(36,684)				
Bank loans, overdrafts and finance lease (financial liabilities at amortized cost)	(114,684)	-	(113,725)	-	(113,725)
Related party loans (financial liabilities at amortized cost)	(29,293)	-	(30,101)	-	(30,101)

The fair values of derivatives are calculated using discounting techniques applied to expected cash flows arising on the respective instruments (level 2 fair value measurements). The changes in the estimated fair value of derivatives are recognized in profit and loss. There have been no transfers of assets or liabilities between levels of the fair value hierarchy in the current or previous year.

The fair values of derivatives comprise the following:

in thousands of U.S. dollars	June 30, 2018	December 31, 2017
Outstanding interest hedge contracts	(442)	(536)
Outstanding currency hedge contracts	-	4,096
Total	**(442)**	**3,560**

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

in thousands of U.S. dollars	June 30, 2018	December 31, 2017
Outstanding interest hedge contracts, maturing after more than one year	7,406	8,464
Outstanding currency hedge contracts, maturing within one year	-	71,827
Outstanding currency hedge contracts, maturing after more than one year	-	53,130

The USD/EUR exchange forward contracts as well as the hedging contracts in respect of the Malaysian ringgit were terminated in first half of 2018.

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, 2017.

2.5.5.15 Transactions with related parties

Transactions with shareholders and their subsidiaries

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

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

in thousands of U.S. dollars	June 30, 2018	December 31, 2017
Trade accounts receivable due from Melexis group companies	30,580	26,973
Trade accounts receivable due from Anvo-Systems	1,474	1,443
Trade accounts receivable due from M-MOS group companies	3,369	2,224
Trade accounts receivable due from X-Celeprint	-	3
Total	**35,423**	**30,643**

in thousands of U.S. dollars	June 30, 2018	December 31, 2017
Financial liabilities due to Sarawak Technologies Holding Sdn. Bhd.	30,401	29,293
Trade accounts payable due to Melexis group companies	38	306
Trade accounts payable due to XTRION	18	2
Trade accounts payable due to M-MOS	10	(6)
Trade accounts payable due to Sensinnovat	-	243
Trade accounts payable due to X-Celeprint	-	37
Other	41	22
Total	**30,508**	**29,897**

Sales and other income comprises the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2018	2017
Sales to Melexis group companies	121,003	91,539
Sales to M-MOS group companies	8,112	4,930
Sales to Anvo-Systems	32	213
Sales to MicroGen	-	212
Sales to X-Celeprint	18	58
Other income with Sarawak Technologies Holding Sdn. Bhd.	-	940
Other income with Melexis group companies	646	841
Total	**129,811**	**98,733**

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	
	2018	2017
Services provided by Melexis group companies	247	173
Services/purchases provided by M-MOS group companies	4	15
Services provided by X-Celeprint	71	48
Services purchased from Sensinnovat	204	143
Services purchased from ESA	103	-
Interest expenses Melexis	-	18
Warranty cost Melexis group	559	283
Interest from loan from Sarawak Technologies Holding Sdn. Bhd.	1,109	1,084
Total	**2,297**	**1,764**

2.5.5.16 Commitments

Purchase commitments comprise the following:

in thousands of U.S. dollars	June 30, 2018	December 31,2017
Purchase commitments for		
Property, plant, and equipment	46,897	36,399
Intangible assets	956	617
Material and services	13,209	34,848
Total	**61,062**	**71,864**

Purchase commitments mainly refer to purchase orders placed for investments into technical machinery. With respect to the acquisition of the semiconductor business of Altis Semiconductor the Group committed to invest USD 106 million (EUR 100 million) in the Corbeil-Essonnes site over a period of ten years until September 30, 2026. The remaining investment commitment under this agreement amounts to USD 93 million at June 30, 2018.

3. Shareholder information

The following table describes the structure of shareholdings in X-FAB Silicon Foundries SE at June 30, 2018:

Company	Number of shares	Participation rate
Xtrion NV	61,718,079	47.2%
Sarawak Technology Holdings	14,948,655	11.4%
Threadneedle Asset Management Limited	6,606,784	5.1%
X-FAB Semiconductor Foundries AG	149,748	0.1%
Free float	47,358,403	36.2%
Total	**130,781,669**	**100.00%**

The announcement of third quarter results will take place on November 6, 2018.

Tessenderlo, August 20, 2018

Managing Director, CEO

Sensinnovat BVBA
Represented by Rudi De Winter
CEO

4. Statement of the Board of Directors

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

- the condensed consolidated interim financial statements which have been prepared in accordance with IFRS as adopted by the EU give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Company and the entities included in the consolidation as a whole; and

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

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

KPMG

Statutory auditor's report to the board of directors of X-FAB Silicon Foundries SE on the review of the condensed consolidated interim financial information as at June 30, 2018 and for the 6-month period then ended

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of X-FAB Silicon Foundries SE as at June 30, 2018, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the 6-month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). The board of directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at June 30, 2018 and for the 6-month period then ended is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Hasselt, August 20, 2018

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, 2018 and for the 6-month period then ended

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory Auditor
represented by

Herwig Carmans
Réviseur d'Entreprises /
Bedrijfsrevisor

Interim Report
June 30, 2018

MIXED-SIGNAL FOUNDRY EXPERTS

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