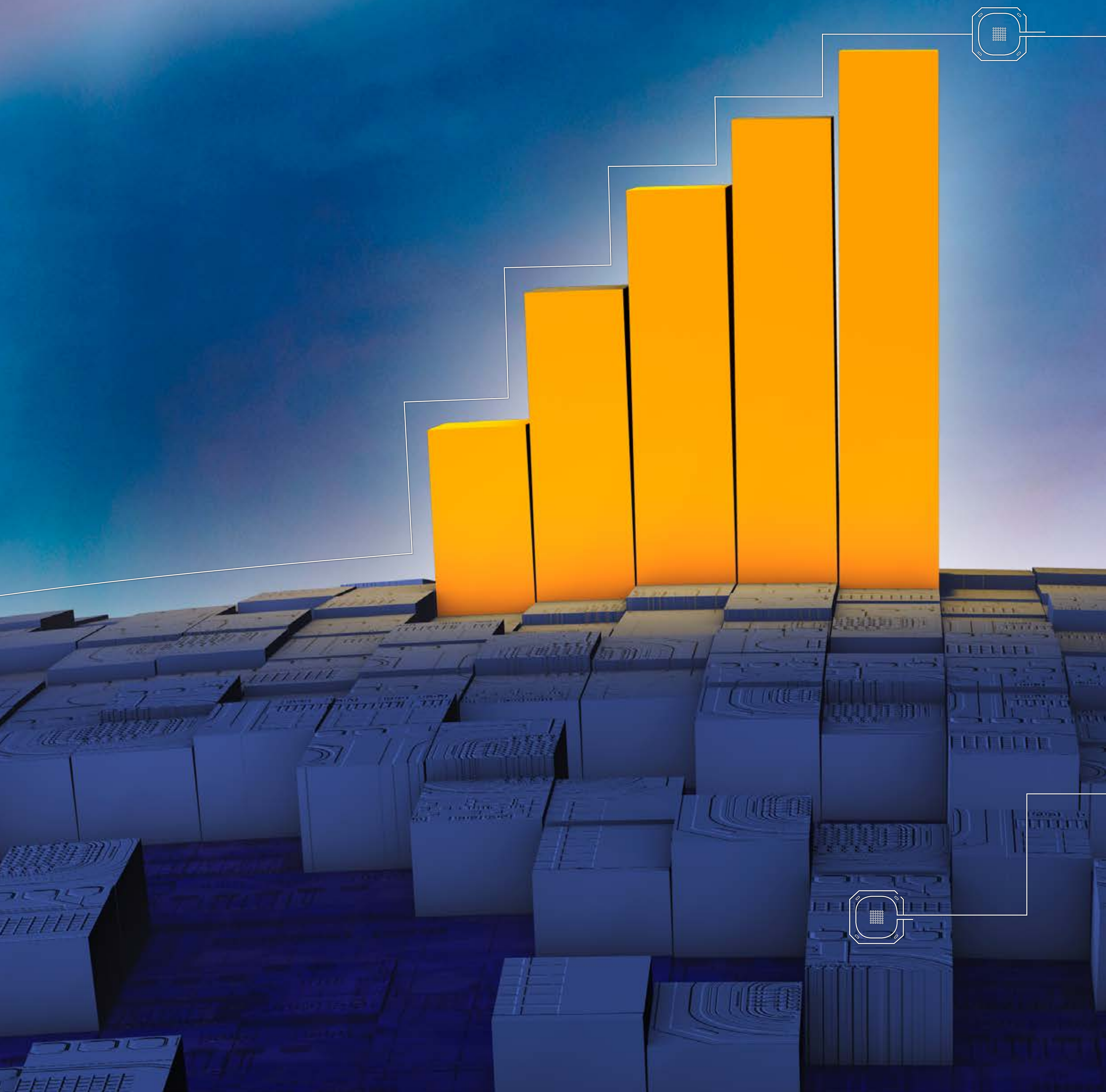
X-FAB
MIXED-SIGNAL FOUNDRY EXPERTS

X-FAB Silicon Foundries SE

Interim Report
June 30, 2017



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
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 AG	X-FAB Semiconductor Foundries AG
X-FAB AG Group	X-FAB Semiconductor Foundries AG 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, 2016.

Revenue

The total revenue amounted to USD 287,282 thousand an increase of 28% compared to the first half of 2016. The main reason for the increase is the additional revenue of USD 57,491 thousand in 2017 contributed by X-FAB France. X-FAB France was acquired by the Group in October 2016.

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 2017, cost of sales increased by USD 52,679 thousand or 29% compared to 2016 which corresponds with the increase in revenue. The cost of sales of X-FAB France of the first half of 2017 amounted to USD 55,398 thousand.

Research and development expenses

Research and development expenses amounted to USD 14,200 thousand in the first half of 2017, representing 5% of revenue. The increase of 30% (USD 3,301 thousand) compared to the prior year's six month period corresponds with the increase of revenue in 2017. The increase is mainly contributed by X-FAB France. The Group's research and development activities focus on development of new fabrication processes, optimisation 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 increased by 53% and 27% respectively which is primarily due to the increase in Group revenues as well as to the inclusion of the new group subsidiary X-FAB France. In 2017, the general and administrative expenses contain a portion of the costs occurred in relation with the secondary share offering completed in April 2017 for an amount of USD 182 thousand. Reference is made to note 2.5.5.9.

Financial result

The net financial result increased by USD 17,330 thousand in the first half of 2017 compared to the first half of 2016. This increase relates to unrealised exchange rate effects on the translation of euro-denominated proceeds from the issuance of shares and to net gains on derivative financial instruments. Reference is made to note 2.5.5.1 and 2.5.5.2.

Net income

The Group recorded net income for the first half of 2017 of USD 35,307 thousand compared to USD 16,096 thousand in the first half of 2016.

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 materialise
- 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
- 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 by Roland Duchâtelet and Rudi De Winter. Both are managing directors of XTRION NV. Roland Duchâtelet is also chairman of the Supervisory Board of X-FAB AG, a member of the board of X-FAB SE and a director of Melexis Technologies NV.

Rudi De Winter represents Sensinnovat BVBA which is appointed as the CEO of X-FAB SE on March 16, 2017.

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 are: - Status 30th of June 2017 -

Name	Position
Dato Sri Ahmad Tarmizi Bin Sulaiman	Chairman of the Board
Sensinnovat BVBA represented by Rudi De Winter	CEO
Hamid Bin Bugo	Chairman Audit Committee, Remuneration Committee
Estelle Iacona	Audit Committee, Remuneration Committee, appointed March 16, 2017
Christel Verschaeren	Audit Committee, Chairman Remuneration Committee, appointed March 16, 2017
Matthias Bopp	Audit Committee, Remuneration Committee
Roland Duchâtelet	Director
Hans-Jürgen Straub	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	
		2017	2016
Revenue	2.5.5.12/2.5.5.14	287,282	225,010
Cost of sales		(234,042)	(181,363)
Gross profit		**53,240**	**43,647**
Research and development expenses		(14,200)	(10,899)
Selling expenses		(4,522)	(3,551)
General and administrative expenses		(14,707)	(9,601)
Rental income and expenses from investment properties		1,010	(787)
Other income and other expenses		(98)	145
Operating profit		**20,723**	**18,954**
Finance income	2.5.5.1	25,641	1,796
Finance costs	2.5.5.2	(11,074)	(4,559)
Net financial result		**14,567**	**(2,763)**
Profit before taxes		**35,290**	**16,191**
Income tax	2.5.5.3	17	(95)
Profit for the period		**35,307**	**16,096**
Attributable to:			
Equity holders of the parent		35,332	16,100
Non-controlling interest		(25)	(4)

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	
		2017	2016
Profit for the period		**35,307**	**16,096**
Other comprehensive income			
Wholly comprising items that are or may be transferred to profit or loss as follows:			
Foreign currency translation differences for foreign operations		305	96
Total comprehensive income for the period		**35,612**	**16,192**
Total comprehensive income attributable to			
Owners of the Company		35,637	16,196
Non-controlling interest		(25)	(4)
Total comprehensive income for the period		**35,612**	**16,192**
Weighted average number of shares outstanding, basic and diluted		114,057,335	99,381,921
Earnings per share			
Basic and diluted (in U.S. dollars)	2.5.5.4	0.31	0.16
Earnings per share from continuing operations			
Basic and diluted (in U.S. dollars)	2.5.5.4	0.31	0.16

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, 2017	December 31, 2016
ASSETS			
Non-current assets			
Property, plant and equipment	2.5.5.5	289,443	265,472
Investment properties		8,856	9,143
Intangible assets		6,789	7,874
Non-current investments		394	190
Other non-current assets		146	36
Deferred tax assets	2.5.5.3	23,454	19,904
Total non-current assets		**329,082**	**302,619**
Current assets			
Inventories	2.5.5.6	97,408	88,972
Trade and other receivables	2.5.5.14	69,529	77,292
Income tax receivables		5,966	4,543
Other assets	2.5.5.7	19,976	14,338
Cash and cash equivalents	2.5.5.8	350,307	104,157
Total current assets		**543,186**	**289,302**
Total assets		**872,268**	**591,921**
EQUITY AND LIABILITIES			
Equity			
Share capital	2.5.5.9	432,745	265,231
Share premium	2.5.5.9	349,446	255,262
Retained earnings		(161,173)	(196,506)
Cumulative translation adjustment		(574)	(879)
Treasury shares		(770)	(770)
Total equity attributable to equity holders of the parent		**619,674**	**322,338**
Non-controlling interests		365	400
Total equity		**620,039**	**322,738**
Non-current liabilities			
Non-current loans and borrowings	2.5.5.10	124,151	132,407
Non-current provisions		78	73
Other non-current liabilities		8,298	8,408
Total non-current liabilities		**132,527**	**140,888**
Current liabilities			
Trade payables	2.5.5.11/2.5.5.14	29,674	49,032
Current loans and borrowings	2.5.5.10	34,534	31,432
Income tax payable		1,629	1,579
Provisions		2,128	1,622
Other current liabilities	2.5.5.11	51,737	44,630
Total current liabilities		**119,702**	**128,295**
Total equity and liabilities		**872,268**	**591,921**

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, 2016		**99,531,669**	**265,231**	**255,262**	**(242,419)**	**(740)**	**(770)**	**276,564**	**372**	**276,936**
Profit for the period					16,100			16,100	(4)	16,096
Currency translation effect, net of tax						96		96	-	96
Total comprehensive income										**16,192**
Transactions with owners of the company										
Distribution to non-controlling interests (GVG)								-	(11)	(11)
Changes in ownership interest										
At June 30, 2016		**99,531,669**	**265,231**	**255,262**	**(226,319)**	**(644)**	**(770)**	**292,760**	**357**	**293,117**
Profit for the period					29,813			29,813	43	29,856
Currency translation effect, net of tax						(235)		(235)	-	(235)
Total comprehensive income										**29,621**
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										**35,612**
Transactions with owners of the company										
Issue of ordinary shares on April 4, 2017	2.5.5.9	31,250,000	167,514	99,062				266,576		266,576
Less directly related IPO costs	2.5.5.9			(7,389)				(7,389)		(7,389)
Less Deferred tax	2.5.5.9			2,511				2,511		2,511
Distribution to non-controlling interests (GVG)									(10)	(10)
Changes in ownership interest										
At June 30, 2017		**130,781,669**	**432,745**	**349,446**	**(161,174)**	**(574)**	**(770)**	**619,673**	**365**	**620,038**

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	
		2017	2016
Cash flow from operating activities:			
Profit for the period		35,307	16,096
Income tax		(17)	95
Income before taxes		**35,290**	**16,191**
Reconciliation of net income to cash flow arising from operating activities:		**12,461**	**26,146**
Depreciation and amortisation, before effect of grants and subsidies	2.5.5.5	27,509	24,162
Recognised investment grants and subsidies netted with depreciation and amortisation		(1,862)	(1,781)
Interest income and expenses (net)	2.5.5.1/2.5.5.2	1,649	2,166
Loss/(gain) on the sale of plant, property and equipment (net)		-	(215)
Loss/(gain) on the change in fair value of derivatives (net)	2.5.5.13	(7,739)	-
Currency differences (net)	2.5.5.1/2.5.5.2	(8,156)	3,993
Other non-cash transactions (net)		1,060	(2,179)
Changes in working capital:		**(10,470)**	**(34,001)**
Decrease/(increase) of trade receivables		8,877	(33,995)
Decrease/(increase) of other receivables and prepaid expenses		(4,560)	(20,065)
Decrease/(increase) of inventories		(7,205)	(9,139)
(Decrease)/increase of trade payables		(17,343)	2,942
(Decrease)/increase of other liabilities		9,761	26,256
Income taxes (paid)/received		(252)	(130)
Cash flow from operating activities		**37,029**	**8,206**

2.4 Condensed consolidated statement of cash flows (continued)

in thousands of U.S. dollars	Note	For the six months ended June 30	
		2017	2016
Cash flow from investing activities:			
Payments for property, plant, equipment and intangible assets		(49,992)	(32,945)
Payments for investments		-	(209)
Payments for loan investments to related parties		(62)	(83)
Proceeds from loan investments related parties		81	70
Proceeds from the sale of property, plant and equipment		1	717
Interest received		797	98
Cash flow used in investing activities		**(49,175)**	**(32,352)**
Cash flow from financing activities:			
Proceeds from loans and borrowings	2.5.5.10	-	9,525
Repayment of loans and borrowings	2.5.5.10	(15,204)	(9,112)
Receipts from sale & leaseback arrangements		-	668
Payments of lease installments		(1,239)	(690)
Receipt of government grants and subsidies		47	2,433
Interest paid		(1,389)	(1,307)
Gross proceeds from capital increase	2.5.5.9	266,575	-
Direct cost related to capital increase	2.5.5.9	(7,389)	-
Distribution to non-controlling interests		(11)	-
Cash flow from (used in) financing activities		**241,390**	**1,517**
Effects of changes in foreign currency exchange rates on cash balances		**16,906**	**66**
Increase/(decrease) of cash and cash equivalents		229,244	(22,629)
Cash and cash equivalents at the beginning of the period		**104,157**	**66,098**
Cash and cash equivalents at the end of the period		**350,307**	**43,535**

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

2.5 Notes to the condensed consolidated interim financial statements

2.5.1. Company information

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

The X-FAB SE Group is one of the world’s leading pure play foundry providers specialising 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, 2016.

The condensed consolidated interim financial statements of X-FAB SE Group were authorised for issue in accordance with a resolution of the directors on August 4, 2017.

2.5.2.2 Use of estimates and judgments

In preparing these condensed consolidated interim financial statements management has made judgments, 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 recognised 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, 2016.

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 categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised 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, 2016.

The policy for recognising and measuring income taxes in the interim period is described in note 2.5.5.3.

2.5.4 New accounting pronouncements

The following new standards and amendments to standards are effective for annual periods beginning after January 1, 2017:

Standard/interpretation	Effective Date
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses*	January 1, 2017
Amendments to IAS 7: Disclosure Initiative*	January 1, 2017
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
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 following new or amended standards in preparing these condensed consolidated interim financial statements.

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 supersedes all previous versions and is mandatorily effective for periods beginning on or after January 1, 2018 with early adoption permitted. 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.

IFRS 15 Revenue from Contracts with Customers specifies how and when an IFRS reporter will recognise 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.

IFRS 16 Leases specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 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.

None of these new or amended standards and interpretations is expected to have a significant effect on the consolidated financial statements of the X-FAB SE Group, except for IFRS 16 Leases, which becomes mandatory for the Group's 2019 financial statements. The Group does not plan to adopt these standards early.

The Group has prepared a preliminary qualitative assessment of the impact of IFRS 9 and concluded that the effect on reported net income, or the measurement of assets and liabilities is not expected to be significant. A full and detailed assessment has not yet been undertaken on how the impairment provisions for receivables will be affected by the new expected loss model but it will result in an earlier recognition of credit losses. However, X-FAB estimates that this will not have a significant impact. With respect to IFRS 15 the Group prepared a detailed analysis of the customer contracts and assessed that the implementation of IFRS 15 will not significantly change the recognition of revenue.

No quantitative or qualitative assessment of the impact of IFRS 16 has been made to date, but the Group expects that the most significant impact will be that the Group will recognise new assets and liabilities for its operating leases. The minimum operating lease commitments amount to USD 10 million as reported in the financial statements of December 31, 2016. 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 has not yet decided upon the transition option for IFRS 16.

2.5.5 Notes

2.5.5.1 Finance income

Finance income comprises the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2017	2016
Change in fair value of financial assets at fair value through profit or loss:		
Held for trading	189	-
Interest income on loans and receivables	871	98
Income from exchange rate differences	16,710	1,698
Net gain from derivative financial instruments	7,871	-
Total	**25,641**	**1,796**

Exchange rate income contains the translation effects from retranslation of the euro-denominated proceeds received following the April 2017 share issue. Reference is made to note 2.5.5.9.

2.5.5.2 Finance costs

Finance costs comprise the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2017	2016
Interest expenses from loans and borrowings	(2,520)	(2,264)
Expenses from exchange rate differences	(8,554)	(2,295)
Total	**(11,074)**	**(4,559)**

Exchange rate expenses contain the translation effects of euro-denominated loans. Reference is made to note 2.5.5.10.

2.5.5.3 Income taxes

Income tax expense is recognised 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	
	2017	2016
Actual income tax charge for the period	(1,022)	(127)
Deferred taxes	1,039	32
Total	**17**	**(95)**

Changes in recognised deferred tax assets resulted in an increase of the deferred tax asset of USD 3,550 thousand (2016: income of USD 3,322 thousand). The increase in deferred tax assets recognised on property, plant and equipment is mainly due to recognition of previously unrecognised deferred tax assets in Malaysia for the amount of USD 1,038 thousand, which has been estimated as a pro-rata amount of the expected recognition for the full financial year 2017 as well as to the recognition of deferred tax assets resulting from the future tax deductibility of the costs of the initial public offering (IPO) at X-FAB Silicon Foundries SE of USD 2,511 thousand.

The transactions costs incurred in connection with the share issue have resulted in tax losses. The Group has determined that it is probable that the tax losses will be utilised. Accordingly, the deferred tax asset is recognised in full. Accordingly, the USD 2,511 thousand credit for the amount of the deferred tax asset related to the transaction costs is recognised directly in equity

2.5.5.4 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 U.S. dollars	2017	2016
Issued ordinary shares on January 1	**99,382**	**99,382**
Effect of shares issued in April 2017	14,675	-
Weighted average number of ordinary shares	**114,057**	**99,382**

The weighted average number of ordinary shares outstanding during the period and for the previous 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 corresponding 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.

2.5.5.5 Property, plant and equipment

in thousands of U.S. dollars	Land and buildings	Technical machinery and equipment	Factory and office equipment	Assets under construction	Total
Net book value January 1, 2017	**56,974**	**171,046**	**5,427**	**32,025**	**265,472**
Accumulated historical cost January 1, 2017	**115,663**	**820,375**	**20,947**	**32,715**	**989,700**
Additions	161	3,184	740	42,259	46,344
Disposals	-	(1,707)	(118)	142	(1,683)
Reclassifications	297	27,956	1,097	(29,104)	246
Currency translation effect	190	553	57	620	1,420
Accumulated historical cost June 30, 2017	**116,311**	**850,361**	**22,723**	**46,632**	**1,036,027**
Accumulated depreciation January 1, 2017	**(58,689)**	**(649,329)**	**(15,520)**	**(690)**	**(724,228)**
Additions	(1,440)	(21,429)	(1,103)	-	(23,972)
Disposals	-	1,707	118	(142)	1,683
Currency translation effect	(5)	(48)	(14)	-	(67)
Accumulated depreciation June 30, 2017	**(60,134)**	**(669,099)**	**(16,519)**	**(832)**	**(746,584)**
Net book value June 30, 2017	**56,177**	**181,262**	**6,204**	**45,800**	**289,443**

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

2.5.5.6 Inventories

in thousands of U.S. dollars	June 30, 2017	December 31, 2016
Materials and supplies	59,720	55,204
Work in progress	36,733	31,918
Finished goods	4,486	5,225
Allowances	(3,531)	(3,379)
Total	**97,408**	**88,968**

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

Allowances of USD 587 thousand (2016: USD 831 thousand) have been recorded against inventories and recognised as an expense in the period.

2.5.5.7 Other assets

Other assets comprise the following:

in thousands of U.S. dollars	June 30, 2017	December 31, 2016
Taxes (other)	5,579	5,687
Prepaid expenses	5,327	4,375
R&D grants receivable	2,835	272
Investment grants and subsidies receivable	818	466
Deposits	1,450	767
Receivables from energy surcharges	746	1,991
Derivatives	2,431	-
Other	790	780
Total	**19,976**	**14,338**

2.5.5.8 Cash and cash equivalents

Cash and cash equivalents comprise the following:

in thousands of U.S. dollars	June 30, 2017	December 31, 2016
Cash and bank balances	347,730	101,727
Restricted cash	2,577	2,430
Total	**350,307**	**104,157**

The movements of cash and cash equivalents are reported in the cash flow statement and include 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 initial public offering described in note 2.5.5.9.

2.5.5.9 Equity

Share capital

In April 2017, 31,250,000 new shares with a fractional value of EUR 5.0271 per share were issued during the initial public offering (IPO) at Euronext Paris at an exercise price of EUR 8.00 per share. Before the IPO the existing 33,177,223 shares were split into 99,531,669 shares. X-FAB Silicon Foundries SE has 130,781,669 fully paid-in shares in issue subsequent to the IPO.

As a result from 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 increased by 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.

In addition, costs, that are directly attributable to the issuance of new shares within the primary offering (such as underwriter fees) net of their related tax benefits have been deducted from share premium. Direct IPO costs such as comfort letter costs, legal costs and roadshow costs that relate to the primary and secondary offering have only been considered in equity with the portion they belong to primary offering (62.5%). The remaining costs have been considered in general and administration expenses as a non-recurring expenses.

The total amount of IPO cost deducted from share premium comprises USD 7,389 thousand. Related deferred tax benefits of USD 2,511 thousand have increased the share premium accordingly.

After deducting expenses of the initial public offering, the Company received net cash inflows of USD 259,187 thousand as a result of the new shares issued.

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

2.5.5.10 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, 2017	December 31, 2016
Bank loans and overdrafts		
Fixed interest bank loans denominated in EUR Maturity: 2016 – 2021 Interest rates: 1.4% – 2.7% Repayments in monthly or quarterly installments	85,978	89,570
Variable interest bank loans denominated in EUR Maturity: 2015 – 2021 Interest rates: EURIBOR + 1.69% – EURIBOR + 2% Repayments in quarterly installments	32,316	34,082
Fixed interest bank loans denominated in USD Maturity: 2017 Interest rates: 5.0% Repayments in monthly or quarterly installments	62	434
Loan State Financial Secretary of Sarawak denominated in USD Maturity: 2030 Interest free and 2.0% preference dividend Repayment at maturity date	32,197	31,112
Leasing arrangements		
Finance leasing liabilities denominated in EUR Maturity: 2017 – 2021 Interest rates: 0.6 – 9.6% Repayment in monthly installments	8,132	8,642
Total	**158,685**	**163,840**
Current loans and borrowings	**34,534**	**31,432**
Non-current loans and borrowings	**124,151**	**132,408**

The Group's exchange rate gains and losses include expenses for unrealised exchange rate losses of USD 9,026 thousand resulting from the translation of euro-denominated loans. Loans and finance lease obligations totalling USD 16,443 thousand have been repaid in the first half of 2017.

2.5.5.11 Trade payables and other current liabilities

Other current liabilities comprise the following:

in thousands of U.S. dollars	June 30, 2017	December 31, 2016
Accrued liabilities	**17,313**	**12,847**
For invoices not yet received	16,761	10,988
Repayment of electricity cost discounts	446	413
Other	106	1,446
Advances received	13,315	7,497
Derivatives	1,580	6,707
Deferred income	2,187	1,155
Employee-related liabilities	**14,729**	**16,114**
Wages	2,375	1,678
Earned holiday entitlement, incentives	7,621	9,853
Payroll taxes	1,401	1,528
Social security costs	3,332	3,055
Other taxes	684	1
Grants received for joint projects	1,430	-
Other	499	309
Total	**51,737**	**44,630**

2.5.5.12 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	
	2017	2016
Europe	**156,063**	**127,292**
Germany	32,877	19,756
France	3,393	1,086
United Kingdom	14,616	13,263
Belgium	91,382	81,170
Austria	3,404	1,334
Sweden	5,413	6,055
Switzerland	2,047	2,037
Denmark	595	508
Other	2,336	2,083
Asia	**66,605**	**85,508**
Malaysia	6,541	4,563
Japan	5,111	4,595
China	30,893	58,867
Korea	5,340	4,437
Hong Kong	480	629
Thailand	5,026	4,007
Singapore	9,310	5,673
Taiwan	2,419	1,741
Other	1,485	996
United States of America	**64,242**	**11,825**
Rest of the World	**372**	**385**
Total	**287,282**	**225,010**

The increase of revenues mainly refers to the contribution of revenue of X-FAB France in 2017 of USD 57,491 thousand, following the acquisition of the semiconductor business of Altis Semiconductor acquired by the Group on October 1, 2016.

2.5.5.13 Financial instruments – fair values

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, 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)	394	394	-	-	394
Currency hedge contracts (held for trading)	2,431	-	2,431	-	2,431
Financial assets not measured at fair value					
Trade and other receivables (loans and receivables)	69,529				
Cash and cash equivalents	350,307				
Financial liabilities measured at fair value					
Interest rate swaps (held for trading)	(682)	-	(682)	-	(682)
Currency hedge contracts (held for trading)	(898)	-	(898)	-	(898)
Financial liabilities not measured at fair value					
Trade payables (financial liabilities at amortised cost)	(29,674)				
Bank loans, overdrafts and finance lease (financial liabilities at amortised cost)	(126,488)	-	(126,415)	-	(126,415)
Related party loans (financial liabilities at amortised cost)	(32,197)	-	(33,019)	-	(33,019)

December 31, 2016

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)	190	190	-	-	190
Financial assets not measured at fair value					
Trade and other receivables (loans and receivables)	77,292				
Cash and cash equivalents	104,157				
Financial liabilities measured at fair value					
Interest rate swaps (held for trading)	(714)	-	(714)	-	(714)
Currency hedge contracts (held for trading)	(5,993)	-	(5,993)	-	(5,993)
Financial liabilities not measured at fair value					
Trade payables (financial liabilities at amortised cost)	(49,032)				
Bank loans, overdrafts and finance lease (financial liabilities at amortised cost)	(132,728)	-	(132,312)	-	(132,312)
Related party loans (financial liabilities at amortised cost)	(31,112)	-	(30,723)	-	(30,723)

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 recognised 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, 2017	December 31, 2016
Outstanding interest hedge contracts	(682)	(714)
Outstanding currency hedge contracts	2,431	-
Outstanding currency hedge contracts	(898)	(5,993)
Total	**851**	**(6,707)**

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

in thousands of U.S. dollars	June 30, 2017	December 31, 2016
Outstanding interest hedge contracts, maturing after more than one year	8,908	8,511
Outstanding currency hedge contracts, maturing within one year	66,000	-
Outstanding currency hedge contracts, maturing after more than one year	139,999	101,427

In June 2017, the Group entered into USD/EUR exchange forward contracts with three banks. These contracts run until June/July 2018 and contain forward exchanges of USD 114 million in total. The positive fair value at June 30, 2017 amounts to USD 2,431 thousand.

2.5.5.14 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, 2017	December 31, 2016
Trade accounts receivable due from Melexis group companies	15,439	16,208
Trade accounts receivable due from Sarawak Technologies Holding Sdn. Bhd	941	-
Trade accounts receivable due from Anvo-Systems	1,437	1,324
Trade accounts receivable due from M-MOS group companies	2,010	1,837
Trade accounts receivable due from MicroGen	222	10
Trade accounts receivable due from X-Celeprint	58	(2)
Total	**20,107**	**19,377**

in thousands of U.S. dollars	June 30, 2017	December 31, 2016
Financial liabilities due to Sarawak Technologies Holding Sdn. Bhd	32,197	31,112
Trade accounts payable due to Melexis group companies	72	235
Trade accounts payable due to XTRION	-	11
Trade accounts payable due to M-MOS	-	15
Trade accounts payable due to Sensinnovat	143	-
Other	19	19
Total	**32,431**	**31,392**

Sales and other income comprises the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2017	2016
Sales to Melexis group companies	91,539	81,096
Sales to M-MOS group companies	4,930	3,920
Sales to Anvo-Systems	213	487
Sales to MicroGen	212	117
Sales to X-Celeprint	58	-
Other income with Sarawak Technologies Holding Sdn. Bhd	940	-
Other income with Melexis group companies	841	585
Total	**98,733**	**86,205**

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

in thousands of U.S. dollars	For the six months ended June 30	
	2017	2016
Services provided by Melexis group companies	173	167
Services/purchases provided by M-MOS group companies	15	55
Services provided by X-Celeprint	48	-
Services purchased from Sensinnovat	143	184
Interest expenses Melexis	18	-
Warranty cost Melexis group	283	109
Interest from loan from Sarawak Technologies Holding Sdn. Bhd	1,084	1,061
Total	**1,764**	**1,576**

2.5.5.15 Commitments

Purchase commitments comprise the following:

in thousands of U.S. dollars	June 30, 2017	December 31,2016
Purchase commitments for		
Property, plant and equipment	40,701	20,089
Intangible assets	381	350
Total	**41,082**	**20,439**

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 the next 10 years.

3. Shareholder information

The following table describes the structure of shareholdings in X-FAB Silicon Foundries SE at June 30, 2017:

Company	Number of shares	Participation rate
Xtrion NV	61,141,179	46.75%
Sarawak Technology Holdings	14,948,655	11.43%
Elex NV	1,005,996	0.77%
X-FAB Semiconductor Foundries AG	149,748	0.11%
Free float	53,536,091	40.94%
Total	**130,781,669**	**100.00%**

Investor Relations contact:

Chris Förster
Chief Financial Officer
X-FAB Silicon Foundries SE

Phone: +49 361 427 6115
Fax: +49 361 427 8089

The announcement of third quarter results will take place on November 7, 2017.

Tessenderlo, August 16, 2017

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, 2017 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, 2017, 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, 2017 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.

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises, a Belgian civil CVBA/SCRL
and a member firm of the KPMG network of independent member firms affiliated
with KPMG International Cooperative ("KPMG International"), a Swiss entity.
Document Classification: KPMG Public

Maatschappelijke zetel - Siège social:
Bourgetlaan - Avenue du Bourget 40
1130 Brussel - Bruxelles
België - Belgique

KPMG Bedrijfsrevisoren -
Réviseurs d'Entreprises
CVBA/SCRL
Burgerlijke vennootschap met
handelsvorm en met beperkte
aansprakelijkheid - Société civile à
forme commerciale et à
responsabilité limitée
BTW - TVA BE 0419.122.548
RPR Brussel - RPM Bruxelles

KPMG

Hasselt, August 17, 2017

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory Auditor
represented by

Herwig Carmans
Réviseur d'Entreprises /
Bedrijfsrevisor

Interim Report
June 30, 2017

X-FAB
MIXED-SIGNAL FOUNDRY EXPERTS