



xfab

INTERIM 20
REPORT 21

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List of abbreviations/definitions

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

1. Comments on the condensed consolidated interim financial statements

1.1 Summary of most important developments

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2020.

Highlights

In the first half of 2021, total revenue amounted to USD 316,375 thousand (first half of 2020: USD 245,650 thousand), an increase of 28.8% compared to the same period in the previous year. Business continued to develop strongly throughout the first half of 2021 and across all end markets.

Revenue in X-FAB's core business, namely automotive, industrial, and medical, came in at USD 252,991 thousand (first half of 2020: USD 189,637 thousand), an increase of 33.4% compared to the same period in the previous year.

X-FAB's core business generated 80.0% of total revenue (first half of 2020: 77.2%).

Consumer, Communications & Computer business ("CCC business") came in at USD 62,954 thousand (first half of 2020: USD 55,564 thousand). This is a year-on-year increase of 13.3%.

Revenue analysis

in millions of USD	Half-year ended Dec. 31, 2019	Half-year ended Jun. 30, 2020	Half-year ended Dec. 31, 2020	Half-year ended Jun. 30, 2021	Half-year y-o-y growth
Automotive	117.2	129.9	106.1	166.3	28%
Industrial	44.4	46.0	51.1	67.6	47%
Medical	15.1	13.7	19.7	19.1	39%
Subtotal core business	176.7 72.5%	189.6 77.2%	177.0 76.3%	253.0 80.0%	33%
CCC	66.8	55.6	54.6	63.0	13%
Others	0.2	0.4	0.4	0.4	-4%
Total	243.8	245.6	231.9	316.4	29%

In the first half of 2021, demand continued to be driven by the ongoing recovery after the COVID-19-related weakness in 2020 but also by the introduction of new business. Interest in X-FAB's specialty technologies is strong as they enable smart solutions that are key to address the challenges facing society today. These include the climate change with the need for greener energy and transportation (SiC); the COVID-19 era as well as aging societies with the need for fast and reliable point-of-care diagnostics (lab-on-chip), and globalization and connectivity requiring all kinds of sensor applications.

The Group has received support under short-term working and other government support schemes introduced in various countries to alleviate the economic effects of the COVID-19 pandemic. However, with the exception of the government support of USD 6,563 thousand (first half of 2020: none) reported as a deduction from cost of sales, the amounts received did not have a significant effect on the results of the Group in the first half of the financial period 2021 or in the comparative period. Government support to alleviate the economic effects of the COVID-19 pandemic subsidies are designed to offset ongoing operating costs and are recognized as a deduction of cost of sales, research and development expenses, and general and administration expenses as appropriate, and have been recognized in period consistent with the costs incurred that they are intended to offset provided it is reasonably assured that the Group has been, and will continue to, be in compliance with the terms and conditions to obtain and retain those subsidies. The ongoing commitments under the terms of those subsidies are not significant to the Group's operations.

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

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

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 2021, cost of sales increased by USD 19,288 thousand or 8.8% compared to the first half of 2020 as a consequence of the increase in revenue. Cost of sales are reported after deducting USD 6,563 thousand (first half of 2020: none) of government support received in the first half of the financial year 2021 to offset direct salary and production-related costs incurred in 2020 as part of a program to offset the impact of the COVID-19 pandemic (further details are provided in note 2.5.5.12 in the notes to the condensed consolidated interim financial statements).

Research and development expenses

Research and development expenses amounted to USD 17,174 thousand in the first half of 2021, representing 5.4% of revenue (first half of 2020: USD 11,791 thousand, 4.8% of revenue). The increase of 45.6% (USD 5,383 thousand) compared to the previous year's six-month period is more than proportionate to the change in revenue in 2021. Research and development expenses include grants in the amount of USD 5,020 thousand compared to USD 8,057 thousand in the first half of 2020. 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 increased by USD 1,149 thousand (6%) compared to the first half of 2020. The increase was primarily driven by the increase in business.

Financial result

Net financial costs decreased by USD 4,268 thousand in the first half of 2021 compared to the previous year due to lower expenses arising from currency exchange losses and lower interest expenses.

Net income

The Group recorded a profit for the period for the first half of 2021 of USD 39,502 thousand compared to a loss of USD 12,611 thousand in the first half of 2020.

The announcement of third quarter results will take place on October 28, 2021.

1.2 Risk factors

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

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

1.3 Events after the reporting period

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

1.4 Board of Directors

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

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

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

The directors of the Company at June 30, 2021 were as follows:

Name	Position
Tan Sri Dr. Hamid Bin Bugo	Chairman of the Board
Sensinnovat BV (represented by Rudi De Winter)	Managing Director, CEO
Roland Duchâtelet	Non-executive director
Hans-Jürgen Straub	Non-executive director
Hasmawati Binti Sapawi	Non-executive director
Aurore NV (represented by Christine Juliam)	Non-executive and independent director
Christel Verschaeren	Non-executive and independent director
Estelle lacona	Non-executive and independent director
VlinVlin BV (represented by Ling Qi)	Non-executive director

2. Condensed consolidated interim financial statements

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

in thousands of U.S. dollars	Note	For the six months ended June 30	
		2021	2020
Revenue	2.5.5.1/2.5.5.16/ 2.5.5.18	316,375	245,650
Cost of sales		(239,649)	(220,361)
Gross profit		76,726	25,289
Research and development expenses		(17,174)	(11,791)
Selling expenses		(4,127)	(4,130)
General and administrative expenses		(15,800)	(14,648)
Rental income and expenses from investment properties		1,295	223
Impairment loss on trade receivables		(144)	(883)
Other income and other expenses	2.5.5.2	858	1,659
Operating profit/(loss)		41,634	(4,281)
Finance income	2.5.5.3	7,753	6,909
Finance costs	2.5.5.4	(10,271)	(13,695)
Net finance income/(costs)		(2,518)	(6,786)
Profit/(loss) before tax		39,116	(11,067)
Income tax income/(expense)	2.5.5.5	395	(1,544)
Profit/(loss) for the period		39,511	(12,611)
Attributable to:			
Owners of the parent		39,502	(12,611)
Non-controlling interest		9	-

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

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

in thousands of U.S. dollars	Note	For the six months ended June 30	
		2021	2020
Profit/(loss) for the period (brought forward from previous page)		39,511	(12,611)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit liability/(asset)		636	(376)
Items that are or may be transferred to profit or loss as follows:			
Foreign currency translation differences for foreign operations		153	(136)
Other comprehensive income for the period, net of income tax		789	(512)
Total comprehensive income for the period		40,300	(13,123)
Total comprehensive income attributable to:			
Owners of the parent		40,291	(13,123)
Non-controlling interest		9	-
Total comprehensive income for the period		40,300	(13,123)
Weighted average number of shares outstanding, basic and diluted		130,631,921	130,631,921
Earnings per share			
Basic and diluted (in U.S. dollars)	2.5.5.6	0.30	-0.10

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, 2021	December 31, 2020
ASSETS			
Non-current assets			
Property, plant, and equipment	2.5.5.7	325,812	336,848
Investment properties		8,265	8,556
Intangible assets		4,807	4,726
Other assets	2.5.5.9	48	68
Deferred tax assets	2.5.5.5	33,223	30,392
Total non-current assets		372,155	380,590
Current assets			
Inventories	2.5.5.8	162,235	153,711
Trade and other receivables	2.5.5.18	66,994	54,576
Income tax receivables		926	1,077
Other assets	2.5.5.9	47,715	36,977
Cash and cash equivalents	2.5.5.10	205,109	205,867
Total current assets		482,979	452,208
Total assets		855,134	832,798
EQUITY AND LIABILITIES			
Equity			
Share capital	2.5.5.11	432,745	432,745
Share premium	2.5.5.11	348,709	348,709
Retained earnings		(80,465)	(120,603)
Cumulative translation adjustment		(594)	(747)
Treasury shares		(770)	(770)
Total equity attributable to owners of the parent		699,625	659,334
Non-controlling interests		341	344
Total equity		699,966	659,678
Non-current liabilities			
Loans and borrowings	2.5.5.12	34,899	44,413
Other liabilities and provisions	2.5.5.13	4,241	4,371
Total non-current liabilities		39,140	48,784
Current liabilities			
Trade payables	2.5.5.18	26,809	27,882
Loans and borrowings	2.5.5.12	24,321	31,796
Income tax payable		2,522	2,270
Provisions	2.5.5.13	8,658	9,604
Other liabilities	2.5.5.14	53,718	52,784
Total current liabilities		116,028	124,336
Total equity and liabilities		855,134	832,798

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

2.3 Condensed consolidated statement of changes in equity

in thousands of U.S. dollars	Shares issued and fully paid	Share capital	Share premium	Retained earnings	Cumulative translation adjustment	Treasury shares	Total attributable to owners of the parent	Non-controlling interests	Total equity
At December 31, 2019	130,781,669	432,745	348,709	(133,836)	(445)	(770)	646,403	377	646,780
Profit/(loss) for the period				(12,611)			(12,611)	-	(12,611)
Remeasurement of defined benefit plans				(376)			(376)		(376)
Currency translation effect					(136)		(136)	-	(136)
Total comprehensive income	-	-	-	(12,987)	(136)	-	(13,123)	-	(13,123)
Transactions with owners of the parent									
Distribution to non-controlling interests (GVG)								(12)	(12)
Total transactions with owners of the parent	-	-	-	-	-	-	-	(12)	(12)
At June 30, 2020	130,781,669	432,745	348,709	(146,823)	(581)	(770)	633,280	365	633,645
Profit/(loss) for the period				26,163			26,163	(22)	26,141
Remeasurement of defined benefit plans				57			57		57
Currency translation effect					(166)		(166)	-	(166)
Total comprehensive income	-	-	-	26,220	(166)	-	26,054	(22)	26,032
At December 31, 2020	130,781,669	432,745	348,709	(120,603)	(747)	(770)	659,334	343	659,678
Profit/(loss) for the period				39,502			39,502	9	39,511
Remeasurement of defined benefit plans				636			636		636
Currency translation effect					153		153	-	153
Total comprehensive income	-	-	-	40,138	153	-	40,291	9	40,300
Transactions with owners of the parent									
Distribution to non-controlling interests (GVG)								(11)	(11)
Total transactions with owners of the parent	-	-	-	-	-	-	-	(11)	(11)
At June 30, 2021	130,781,669	432,745	348,709	(80,465)	(594)	(770)	699,625	341	699,966

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	
		2021	2020
Cash flow from operating activities:			
Profit/(loss)		39,511	(12,611)
Income tax		(395)	1,544
Income before taxes		39,116	(11,067)
Reconciliation of net income to cash flow arising from operating activities:			
		33,671	44,649
Depreciation and amortization, before effect of grants and subsidies	2.5.5.7	37,269	37,488
Amortization of investment grants and subsidies		(1,689)	(1,752)
Interest income and expenses (net)	2.5.5.3/ 2.5.5.4	(240)	1,632
Loss/(gain) on the sale of plant, property and equipment (net)		(392)	(315)
Loss/(gain) on the change in fair value of financial assets (net) and derivatives		-	(420)
Other non-cash transactions (net)	2.5.5.15	(1,277)	8,016
Changes in working capital			
		(33,059)	11,031
Decrease/(increase) of trade and other receivables		(12,236)	6,617
Decrease/(increase) of other assets		(11,554)	15,276
Decrease/(increase) of inventories		(8,524)	(10,620)
(Decrease)/increase of trade payables		400	(8,499)
(Decrease)/increase of other liabilities		(1,145)	8,257
Income taxes (paid)/received		(1,747)	(720)
Net cash from operating activities		37,981	43,893
Cash flow from investing activities:			
Payments for property, plant, equipment, and intangible assets		(23,917)	(17,088)
Payments for investments in investment properties		-	(6)
Proceeds from sale of investments		-	1,156
Payments for loan investments to related parties		(129)	(138)
Proceeds from loan investments related parties		125	113
Proceeds from the sale of property, plant, and equipment		402	318
Interest received		938	970
Net cash used in investing activities		(22,581)	(14,675)

in thousands of U.S. dollars	Note	For the six months ended June 30	
		2021	2020
Cash flow from financing activities:			
Proceeds from loans and borrowings	2.5.5.12	4,479	8,813
Repayment of loans and borrowings	2.5.5.12	(11,850)	(12,938)
Payment of lease liability		(2,702)	(2,811)
Receipt of government grants and subsidies		-	696
Interest paid		(698)	(442)
Distribution to non-controlling interests		(12)	(12)
Net cash from financing activities		(10,783)	(6,694)
Effects of changes in foreign currency exchange rates on cash balances		(5,374)	(4,101)
Net increase/(decrease) of cash and cash equivalents		4,617	22,524
Cash and cash equivalents at the beginning of the period		205,867	173,211
Cash and cash equivalents at the end of the period		205,110	191,634

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

2.5 Notes to the condensed consolidated interim financial statements

2.5.1 Company information

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

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

2.5.2 Basis of preparation

2.5.2.1 Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as 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, 2020.

The condensed consolidated interim financial statements of X-FAB SE Group were authorized for issue in accordance with a resolution of the directors on September 2, 2021.

2.5.2.2 Use of estimates and judgements

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

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2020.

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, 2020.

2.5.4 New accounting pronouncements

Amendments to standards effective for the period beginning on January 1, 2021

The following amendments to IFRS standards, which are effective for annual periods beginning on or before January 1, 2021, have been applied by the Group for the first time in preparing these condensed consolidated financial statements.

Standard/interpretation	Effective date: effective for annual periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	January 1, 2021
Amendment to IFRS 16 COVID-19-Related Rent Concessions (Amendment to IFRS 16)	April 1, 2021

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

New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ending December 31, 2021, and have not been applied in preparing these condensed consolidated financial statements:

Standard/interpretation	Effective date: effective for annual periods beginning on or after
Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021*	April 1, 2021
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework	January 1, 2022
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current*	January 1, 2023
Amendments to IFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9*	January 1, 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies*	January 1, 2023
IFRS 17 Insurance Contracts*	January 1, 2023
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	January 1, 2023
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*	January 1, 2023

*Not yet endorsed by the European Union.

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

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

2.5.5 Notes**2.5.5.1 Revenue**

Revenue comprises the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2021	2020
Gross revenue PCM wafer	278,815	217,725
Gross revenue NRE and technology services	39,373	29,663
Other revenue	11	8
Discounts and warranty credits	(1,824)	(1,746)
Total	316,375	245,650

The increase in revenues is primarily due to a strong business development driven by an ongoing recovery after the COVID-19 weakness in 2020.

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

2.5.5.2 Other income and other expenses

Other income comprises the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2021	2020
Income from recharges	1,130	1,377
Income from sales of materials	270	49
Gains on disposals of property, plant, and equipment	393	943
Income other periods	49	454
Other	553	495
Total	2,395	3,318

Other expenses comprise the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2021	2020
Expenses from recharges	(1,130)	(1,377)
Expenses prior periods	(200)	(208)
Losses on disposal of property, plant, and equipment	(1)	6
Other	(206)	(79)
Total	(1,537)	(1,658)

2.5.5.3 Finance income

Finance income comprises the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2021	2020
Interest on financial assets measured at amortized cost:		
Interest on cash and cash equivalents	938	970
Change in fair value of financial assets and liabilities at fair value through profit or loss:		
Gains on other financial assets classified as held for trading	-	420
Income from exchange rate differences	6,815	5,519
Total	7,753	6,909

2.5.5.4 Finance costs

Finance costs comprise the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2021	2020
Interest on financial liabilities measured at amortized cost:		
Loans and borrowings	(699)	(2,602)
Change in fair value of financial assets and liabilities at fair value through profit or loss:		
Expenses from exchange rate differences	(9,573)	(11,093)
Total	(10,272)	(13,695)

Exchange rate expenses primarily include amounts of USD 4,511 thousand (2020: USD 4,476 thousand) resulting from the translation of cash balances denominated in Malaysian ringgit and loans and cash balances denominated in euros.

2.5.5.5 Income taxes

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

The income tax expense comprised the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2021	2020
Current taxes:		
Actual income tax charge for the period	(2,436)	(871)
Adjustment of prior years' tax charges	-	-
	(2,436)	(871)
Deferred taxes	2,831	(674)
Total	395	(1,545)

Changes in recognized deferred tax assets resulted in an increase of deferred tax assets of USD 2,831 thousand (2020: decrease of USD 674 thousand). The increase in deferred tax assets is mainly due to recognition of previously unrecognized deferred tax assets arising on property, plant, and equipment in Malaysia amounting to USD 2,857 thousand (2020: derecognition of USD 660 thousand), which is the estimated pro-rata amount of the expected recognition for the full financial year 2021. The assumptions made and the method applied to calculate deferred taxes were consistent with the methods used at December 31, 2020. The actual income tax expense for the period primarily consists of accruals made for income taxes for the year to be paid in Malaysia, France and Germany.

2.5.5.6 Earnings per share

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

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

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

2.5.5.7 Property, plant, and equipment

in thousands of U.S. dollars	Land	Buildings	Technical machinery and equipment	Factory and office equipment	Assets under construction	Total
Net book value January 1, 2021	14,139	40,554	232,686	4,855	44,614	336,848
Accumulated historical cost January 1, 2021	14,291	110,466	1,068,016	28,009	44,614	1,265,396
Additions	-	13	3,062	257	19,630	22,962
Disposals	-	(5)	(6,197)	(94)	-	(6,296)
Reclassifications	-	-	12,376	434	(12,810)	-
Effect of changes in exchange rates	-	-	-	28	-	28
Accumulated historical cost June 30, 2021	14,291	110,474	1,077,257	28,634	51,434	1,282,090
Accumulated depreciation January 1, 2021	(152)	(69,912)	(835,330)	(23,154)	-	(928,548)
Additions	(15)	(1,761)	(30,897)	(1,325)	-	(33,998)
Disposals	-	5	6,188	93	-	6,286
Effect of changes in exchange rates	-	-	-	(18)	-	(18)
Accumulated depreciation June 30, 2021	(167)	(71,668)	(860,039)	(24,404)	-	(956,278)
Net book value June 30, 2021	14,124	38,806	217,218	4,230	51,434	325,812

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

2.5.5.8 Inventories

in thousands of U.S. dollars	June 30, 2021	December 31, 2020
Materials and supplies	102,091	100,649
Work in progress	61,314	50,209
Finished goods	5,542	9,000
Merchandise	6	6
Write-downs	(6,717)	(6,152)
Total	162,236	153,712

The increase in raw materials and supplies and work in progress resulted from the build-up of inventories to secure the material supply for higher output due to an increased business.

Allowances of USD 1,041 thousand (2020: USD 283 thousand) have been recorded against inventories and recognized as an expense in the period.

2.5.5.9 Other assets

Other assets comprise the following:

in thousands of U.S. dollars	June 30, 2021	December 31, 2020
R&D grants receivable	24,321	17,385
Prepaid expenses	13,860	11,431
Receivables from energy surcharges	2,561	4,308
Taxes (other)	4,260	1,216
Deposits	1,783	1,966
Investments	500	500
Investment grants and subsidies receivable	179	-
Other	251	171
Total	47,715	36,977

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

Research and development grants receivable at June 30, 2021 include research and development tax credits and competitiveness and employment tax credits totaling USD 13,123 thousand attributable to X-FAB France (December 31, 2020: USD 14,929 thousand).

2.5.5.10 Cash and cash equivalents

Cash and cash equivalents comprise the following:

in thousands of U.S. dollars	June 30, 2021	December 31, 2020
Cash and bank balances	202,843	202,838
Term deposits	2,266	3,029
Total	205,109	205,867

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

2.5.5.11 Equity

Share capital

X-FAB Silicon Foundries SE has 130,781,669 fully paid-in shares in issue throughout the reporting period for the first six months of 2021 and 2020.

Share premium

The share premium of X-FAB Silicon Foundries SE amounts to EUR 348,709 thousand (December 31, 2020: USD 348,709 thousand).

Retained earnings

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

Cumulative translation adjustment

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

Treasury shares

At June 30, 2021 and at December 31, 2020 the Group held 149,748 treasury shares (after the 2017 share split) of X-FAB Silicon Foundries SE held by its fully owned subsidiary X-FAB GmbH. Based on the purchase price of EUR 11.25 per share (before the 2017 share split), the treasury shares reduced the equity capital of the parent company by USD 770 thousand (December 31, 2020: USD 770 thousand).

2.5.5.12 Loans and borrowings

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

in thousands of U.S. dollars	June 30, 2021	December 31, 2020
Bank loans and overdrafts		
Fixed interest bank loans denominated in USD	-	6,563
Maturity: 2021		
Interest rates: 1.0%		
Repayments in monthly installments		
Fixed interest bank loans denominated in EUR	27,057	33,006
Maturity: 2020-2024		
Interest rates: 0.85%-2.3%		
Repayments in monthly or quarterly installments		
Variable interest bank loans denominated in EUR	1,222	3,779
Maturity: 2020-2021		
Interest rates: EURIBOR + 1.58% - EURIBOR + 1.69%		
Repayments in quarterly installments		
Variable interest bank overdrafts in EUR	7,277	8,225
Maturity: 2021		
Interest rates: EURIBOR + 3.0%		
Leasing arrangements		
Leasing liabilities denominated in EUR	1,150	1,934
Maturity: 2020-2025		
Interest rates: 1.9-2.3%		
Repayment in monthly installments		
Liabilities for leases recognized on application of IFRS 16	22,514	22,702
denominated in USD, EUR and MYR		
Maturity: 2020-2034		
Interest rates: 0.02-4.82%		
Repayment in monthly installments		
Total	59,220	76,209
Current loans and borrowings	24,321	31,796
Non-current loans and borrowings	34,899	44,413

A bank loan with a carrying value of USD 6,563 thousand at December 31, 2020 has been derecognized and reported in the first half of the financial year 2021 as a deduction from cost of sales. The loan, obtained and paid to X-FAB Texas in 2020, was issued under the "Paycheck Protection Program" established by the US federal government's Coronavirus Aid, Relief, and Economic Security Act to secure payroll and utility payments. Under the terms of the program, the borrower was entitled to apply for forgiveness of the loan by December 31, 2020, provided certain conditions regarding retention and rehiring of employees are met and provided the Government still has sufficient budget available to forgive those loans. An application for forgiveness of the bank loan was made in the financial year 2020 and was approved on June 10, 2021. Accordingly the balance on the loan was released to income and was offset against cost of sales matching the classification of the costs – direct production related costs – which were financed under the program.

The movement in loans and borrowings include income for realized and unrealized exchange rate gains of USD 1,255 thousand (2020: losses of USD 356 thousand) resulting from the effect of changes on exchange rates of euro-denominated loans. Loans and lease obligations totaling USD 14,552 thousand (2020: USD 15,749 thousand) have been repaid in the first six months of 2021. The Group concluded new loans and overdrafts in the first half of 2021 in the amount of USD 4,479 thousand.

2.5.5.13 Provisions

Current provisions primarily relate to provisions for restructuring USD 4,960 thousand (December 31, 2020: USD 5,722 thousand) and warranty costs USD 2,736 thousand (December 31, 2020: USD 2,544 thousand).

The provisions for restructuring are attributable to a provision made in December 2020 for the costs associated with a restructuring plan which is being implemented at the Group's French location due to falling demand for certain legacy products which were manufactured at the location prior to its acquisition by X-FAB and the smooth first industrial development ramp up of X-FAB technologies. Following announcement of the plan on December 10, 2020, the Group recognized a provision of USD 5,722 thousand for expected restructuring costs. The expected restructuring costs primarily include employee termination benefits and are based on a detailed plan agreed between management and employees' representatives. Costs of USD 763 thousand have been incurred and offset against this provision in the first half of the financial year. There have been no increases or releases of amounts provided since December 31, 2020. The restructuring is expected to be completed by December 31, 2021.

The restructuring costs were included in general and administration expenses.

Warranty provisions are estimated based on the Group's experience of past claim rates and knowledge of current claims together with an assessment of rectification costs.

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

2.5.5.14 Other liabilities

Other current liabilities comprise the following:

in thousands of U.S. dollars	June 30, 2021	December 31, 2020
Accrued liabilities	18,558	21,074
For invoices not yet received	17,363	19,327
Royalties	410	399
Sales commission	279	297
Staff association	114	538
Other	421	513
Advances received	10,887	10,264
Deferred income	342	520
Employee-related liabilities	23,890	20,899
Wages	2,367	1,107
Earned holiday entitlement, incentives	10,128	8,351
Payroll taxes	3,648	3,452
Social security costs	7,747	7,989
Other	12	28
Total	53,718	52,785

Liabilities for social security costs at June 30, 2021 and December 31, 2020 include deferred payments of amounts due by X-FAB France in accordance with the terms of a government support scheme to alleviate the economic effects of the COVID-19 pandemic. Advances received relate to prepayments from customers for future wafer sales.

2.5.5.15 Notes to the statement of cash flows

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

2.5.5.16 Segment reporting

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

in thousands of U.S. dollars	For the six months ended June 30	
	2021	2020
Europe	200,002	150,741
Belgium	127,945	104,440
Germany	35,643	25,984
United Kingdom	16,894	7,683
Austria	5,801	3,132
France	4,202	2,688
Other	2,102	1,797
Switzerland	3,132	1,810
Sweden	1,470	1,059
Ireland	1,108	426
Denmark	868	1,233
Finland	837	489
Asia	67,804	51,370
China	19,387	15,823
Japan	11,280	7,865
Malaysia	8,962	6,006
Singapore	7,930	8,463
Thailand	7,751	4,309
Korea	5,028	4,261
Taiwan	3,305	1,699
Hong Kong	1,830	1,564
New Zealand	1,659	657
Other	672	723
United States of America	47,010	42,437
Rest of the world	1,559	1,102
Total	316,375	245,650

2.5.5.17 Financial instruments – fair values and risk management

Financial instruments measured at amortized cost

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

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

The Group's principal financial instruments not carried at fair value are cash and cash equivalents, trade receivables, other current assets, other non-current assets, trade and other payables, bank overdrafts, and long-term borrowings.

Financial instruments measured at fair value

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

The Group held no financial instruments measured at fair value in the financial year. The Group's financial instruments measured at fair value held in the previous year consisted of an equity investment in a company listed on the NASDAQ stock exchange. The fair value of the equity investment in a company listed on the NASDAQ stock exchange was, until its sale in 2020, based on the price quoted for those shares at the respective reporting dates. Changes in the fair value of this investment were recorded in profit or loss, although the investment was not held for trading purposes, as the Group did not opt to present fair value changes in other comprehensive income.

The Group held no forward foreign exchange contracts or interest rate swaps in the reporting period.

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

Accounting classifications and fair values

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

in thousands of U.S. dollars	Carrying amount	Fair value			
	Total	Level 1	Level 2	Level 3	Total
June 30, 2021					
Financial assets measured at amortized cost					
Trade and other receivables	66,994				
Cash and cash equivalents	205,109				
Financial liabilities measured at amortized cost					
Trade payables	(26,809)				
Bank loans, overdrafts, and lease liabilities	(59,220)	-	(58,954)	-	(58,954)
December 31, 2020					
Financial assets measured at amortized cost					
Trade and other receivables	54,576				
Cash and cash equivalents	205,867				
Financial liabilities measured at amortized cost					
Trade payables	(27,882)				
Bank loans, overdrafts, and lease liabilities	(76,209)	-	(75,911)	-	(75,911)

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, 2020.

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

2.5.5.18 Transactions with related parties

Transactions with shareholders and their subsidiaries

X-FAB SE Group undertakes transactions with entities in the XTRION group, a group of companies controlled by XTRION NV, the majority shareholder of X-FAB SE, as part of its normal business activities. These include the purchase of certain work in process and services, as well as the sale of products and provision of services to these companies. XTRION NV is also the parent company of Melexis NV, which develops, designs, and sells integrated circuits for use in a wide range of different applications and end markets. The main wafer suppliers for Melexis group are X-FAB SE's subsidiaries. Melexis group also provides final test services as well as design support to X-FAB SE subsidiaries. Conditions of the commercial relations between X-FAB and its related parties are in line with those that have been agreed upon between independent parties in comparable circumstances.

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

in thousands of U.S. dollars	June 30, 2021	December 31, 2020
Trade accounts receivable due from Melexis group companies	25,692	19,109
Trade accounts receivable due from M-MOS group companies	2,875	3,666
Trade accounts receivable due from Anvo-Systems	1,241	1,277
Trade accounts receivable due from X-Celeprint	124	92
Trade accounts receivable due from X Display Company Technology	3	-
Total	29,935	24,144

in thousands of U.S. dollars	June 30, 2021	December 31, 2020
Trade accounts payable due to Melexis group companies	53	108
Trade accounts payable due to XTRION	17	14
Trade accounts payable due to M-MOS	15	19
Trade accounts payable due to Sensinnovat	-	188
Trade accounts payable due to ESA	-	18
Other	22	62
Total	107	409

Sales and other income comprise the following:

in thousands of U.S. dollars	For the six months ended June 30	
	2021	2020
Sales to Melexis group companies	127,385	104,070
Sales to M-MOS group companies	8,078	5,523
Sales to Anvo-Systems	50	62
Sales to X Display Company Technology	258	64
Sales to X-Celeprint	44	-
Property rental and other income from Melexis Group companies	946	1,081
Other income from M-MOS	27	43
Total	136,788	110,843

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	
	2021	2020
Services provided by Melexis group companies	268	581
Services/purchases provided by M-MOS group companies	78	5
Services provided from X-Celeprint	-	-
Services purchased from Sensinnovat	77	105
Services purchased from ESA	73	96
Warranty cost Melexis group	525	225
Interest from loan from Sarawak Technology Holdings Sdn. Bhd.	-	1,426
Total	1,021	2,438

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

Remuneration of directors and other persons with key management positions:

in thousands of U.S. dollars	For the six months ended June 30	
	2021	2020
Short-term employee benefits	532	718
Short-term employee benefits for members of management that are not on the payroll of the Company (CEO and CFO)	151	262
Directors compensation	87	75
Total	770	1.055

2.5.5.19 Commitments

Purchase commitments comprise the following:

in thousands of U.S. dollars	June 30, 2021	December 31, 2020
Purchase commitments for:		
Property, plant, and equipment	36,119	9,988
Intangible assets	42	459
Material and services	17,054	36,660
Total	53,215	47,107

Purchase commitments mainly refer to purchase orders placed for investments into technical machinery. At the date of the acquisition of the semiconductor business of Altis Semiconductor (now known as X-FAB France) the Group committed to invest USD 114 million (EUR 100 million) in the Corbeil-Essonnes site over a period of ten years until September 30, 2026. This commitment has now been met in full.

Tessenderlo, September 2, 2021

Managing Director, CEO



Sensinnovat BV
Represented by Rudi De Winter
CEO

3. Shareholder information

The following table describes the structure of shareholdings in X-FAB Silicon Foundries SE at June 30, 2021:

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

4. Statement of the Board of Directors

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

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

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



Statutory auditor's report to the board of directors of X-FAB Silicon Foundries SE on the review of the condensed consolidated interim financial information as at June 30, 2021 and for the six-month period then ended

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of X-FAB Silicon Foundries SE as at June 30, 2021, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial information (“the condensed consolidated interim financial information”). The board of directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, “Interim Financial Reporting” as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at June 30, 2021 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Hasselt, September 2, 2021

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises
Statutory Auditor
represented by

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

Jos Briers
Bedrijfsrevisor / Réviseur d'Entreprises

xfab

INTERIM 20
REPORT 21

X-FAB Silicon Foundries SE

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