X-FAB Second Quarter 2018 Results

Intermediate declaration by the Board of Directors
Tessenderlo, Belgium – July 31st, 2018, 5.40 pm CEST

Highlights for Q2 2018:

- ***Revenue of USD 155.5 million, in line with the guidance of USD 154-159 million, up 12% year-on-year and up 8% quarter-on-quarter.***
- ***Core business automotive, industrial, and medical revenue up 29% year-on-year.***
- ***EBITDA of USD 28.6 million, up 24% year-on-year and 42% quarter-on-quarter; EBITDA margin of 18%, in line with 18-20% guidance.***
- ***EBIT of USD 13.5 million, up 48% year-on-year and up 132% quarter-on-quarter.***
- ***Net profit of USD 1.5 million, down 94% year-on-year and down 90% quarter-on-quarter.***
- ***Earnings per share of USD 0.01***

Outlook:

- ***Management expects Q3 2018 revenue of USD 154-159 million and EBITDA margin of 18-20%. Guidance for 2018 remains unchanged and is based on an average exchange rate of 1.19 USD/Euro.***

In the second quarter, X-FAB's core business, namely automotive, industrial, and medical, recorded a growth of 29% year-on-year with strong contributions from each of the three market segments. The automotive segment increased by 30%, industrial by 28%, whereas medical was up 24% compared to the same quarter last year.

The revenue share of X-FAB's core business moved up to 67% compared to 58% in the second quarter of 2017.

The CCC business that is based on X-FAB technologies recovered and went up by 9% year-on-year. With the progress made regarding the technology transfer to X-FAB France, the portion of X-FAB technology-based consumer business being manufactured at the French site has further increased. In addition to this, the RF-SOI legacy business produced at X-FAB France picked up again after the dip in the first quarter, whereas the overall legacy business of former Altis Semiconductor has dropped by 20% year-on-year as planned.

Revenue Breakdown per Quarter

in millions of USD	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q2 y-o-y growth
Automotive	55.9	56.0	54.5	59.3	66.5	70.2	67.2	77.2	30%
Industrial	14.9	12.7	15.2	16.5	16.7	18.5	20.7	21.1	28%
Medical	4.1	3.5	4.6	4.5	6.6	6.9	4.8	5.6	24%
Subtotal core business[1]	**74.8** *58.2%*	**72.2** *45.3%*	**74.3** *50.2%*	**80.3** *57.6%*	**89.8** *64.0%*	**95.6** *62.0%*	**92.8** *64.6%*	**103.8** *66.8%*	**29%**
CCC[2]	29.8	30.6	31.0	24.5	18.9	24.9	26.0	26.6	9%
Others	0.3	0.7	0.7	0.5	0.8	0.9	0.4	0.3	-40%
Subtotal	**105.0** *81.6%*	**103.5** *65.0%*	**106.1** *71.7%*	**105.3** *75.6%*	**109.5** *78.0%*	**121.4** *78.8%*	**119.2** *83.0%*	**130.8** *84.1%*	**24%**
X-FAB France legacy business[3]	0.0	31.4	26.4	30.9	30.8	32.7	24.3	24.7	-20%
Subcontracted business	23.6	24.3	15.4	3.2	0.0	0.0	0.0	0.0	-100%
Total revenues	**128.6**	**159.3**	**147.9**	**139.3**	**140.3**	**154.1**	**143.5**	**155.5**	**12%**

1 *Without X-FAB France and Subcontracting Business*
2 *Consumer, Communications & Computer including X-FAB France consumer business based on X-FAB technologies*
3 *Former Altis Semiconductor business taken over with the acquisition in 2016; predominantly CCC business and a small amount of automotive and industrial business*

The stronger US-Dollar versus the Euro has created a tailwind for profitability in the second quarter compared to the previous quarter. The average exchange rate improved by more than three cents. Year-on-year, the exchange rate deteriorated by 9 cents.

The average USD/Euro exchange rate of 1.19 in the second quarter almost matched the expectation of 1.20 with profitability being within the guidance range.

At a constant USD/Euro exchange rate of 1.099 experienced in the second quarter of last year, the EBITDA margin in Q2 2018 would have been at 21%. The actual exchange rate for the second quarter of 2018 was 1.19 with a corresponding EBITDA margin of 18%.

The net financial result of USD -10.4 million is mainly based on the translation effect of the portion of Euro cash into US-Dollar.

The transfer of X-FAB technologies to X-FAB France moved forward with the first production of automotive products being on schedule for 2018. In the second quarter, the site started to produce on a newly available technology platform, which had been transferred to X-FAB France in record time. The initial project, a consumer auto-focus application, achieved volume production yield on the very first wafers. Compared to the previous quarter, the output of X-FAB France based on X-FAB technologies increased from 11% to 17%.

The silicon carbide activities at X-FAB Texas progressed well. In the second quarter, SiC revenues as well as bookings more than doubled compared to the first quarter. Furthermore, X-FAB won an additional automotive IDM (Integrated Device Manufacturer) as customer for its SiC offering.

In the second quarter, X-FAB recorded prototyping revenues of USD 14.2 million, which is a growth of 12% quarter-on-quarter and 9% year-on-year. Prototyping activities have increased across the board, i.e. for SiC and MEMS technologies as well as CMOS-based process technologies.

Commenting on the development of X-FAB's business, Rudi De Winter added: "The strong revenue growth in our key end markets as well as the healthy demand going forward shows that X-FAB's strategy is working. The year-on-year increase by 29% of our automotive, industrial and medical business is well above these industries' average growth rates. Even though demand remains high, third quarter revenues are expected to be flat as we forecast our backlog to increase due to ongoing transfer projects, which are tying up resources in our operational units, and also based on the seasonal summer slowdown at this time of the year. We are working on productivity improvements to reduce the backlog and expect to return to solid revenue growth in the fourth quarter."

The half-year report will be published on August 22, 2018.

Procedures of the independent auditor

The statutory auditor, KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises CVBA, represented by Herwig Carmans, has confirmed that their review procedures, which have been substantially completed, have not revealed any significant matters requiring adjustment of the condensed consolidated financial information included in this press release as of and for the six months ended June 30, 2018.

X-FAB Quarterly Conference Call

X-FAB's second quarter results will be discussed in a live conference call on Tuesday, July 31, 2018 at 6.30 pm CEST. The conference call will be in English. Please register in advance of the conference using the following link: http://emea.directeventreg.com/registration/1653608.

Upon registering, you will be provided with participant dial-in numbers, Direct Event passcode and a unique registrant ID. In the 10 minutes prior to the call, you will need to use the conference access information provided in the email received at the point of registering.

The conference call will be available for replay from July 31st 7.30 pm CEST until August 7th 7.30 pm CEST. The replay number will be +44 (0) 3333009785, conference ID 1653608.

The third quarter 2018 results will be communicated on November 6th, 2018.

About X-FAB

X-FAB is the leading analog/mixed-signal and MEMS foundry group manufacturing silicon wafers for automotive, industrial, consumer, medical and other applications. Its customers worldwide benefit from the highest quality standards, manufacturing excellence and innovative solutions by using X-FAB's modular CMOS processes in geometries ranging from 1.0 to 0.13 µm, and its special BCD, SOI and MEMS long-lifetime processes. X-FAB's analog-digital integrated circuits (mixed-signal ICs), sensors and micro-electro-mechanical systems (MEMS) are manufactured at six production facilities in Germany, France, Malaysia and the U.S. X-FAB employs about 4,000 people worldwide.
For more information, please visit www.xfab.com.

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Forward-looking information

This press release may include forward-looking statements. Forward-looking statements are statements regarding or based upon our management's current intentions, beliefs or expectations relating to, among other things, X-FAB's future results of operations, financial condition, liquidity, prospects, growth, strategies or developments in the industry in which we operate. By their nature, forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results or future events to differ materially from those expressed or implied thereby. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein.

Forward-looking statements contained in this press release regarding trends or current activities should not be taken as a report that such trends or activities will continue in the future. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on any such forward-looking statements, which speak only as of the date of this press release.

The information contained in this press release is subject to change without notice. No re-report or warranty, express or implied, is made as to the fairness, accuracy, reasonableness or completeness of the information contained herein and no reliance should be placed on it.

Condensed Consolidated Statement of Profit and Loss

in thousands of USD	Quarter ended 30 Jun 2018 unaudited	Quarter ended 30 Jun 2017 unaudited	Quarter ended 31 Mar 2018 unaudited	Half-year ended 30 Jun 2018 unaudited	Half-year ended 30 Jun 2017 unaudited
Revenue	155,497	139,340	143,530	299,027	287,282
Revenues in USD in %	83	83	81	82	85
Revenues in EUR in %	17	17	19	18	15
Cost of sales	-124,616	-115,409	-119,228	-243,844	-234,042
Gross Profit	**30,882**	**23,931**	**24,302**	**55,184**	**53,240**
Gross Profit margin in %	*19.9*	*17.2*	*16.9*	*18.5*	*18.5*
Research and development expenses	-7,935	-6,697	-8,191	-16,126	-14,200
Selling expenses	-1,942	-2,151	-2,206	-4,148	-4,522
General and administrative expenses	-7,439	-6,938	-7,964	-15,403	-14,707
Rental income and expenses from investment properties	439	954	570	1,009	1,010
Other income and other expenses	-461	73	-665	-1,126	-98
Operating profit	**13,544**	**9,171**	**5,846**	**19,390**	**20,724**
Finance income	-290	24,928	14,805	14,515	25,641
Finance costs	-10,120	-10,127	-8,971	-19,091	-11,074
Net financial result	-10,410	14,802	5,835	-4,576	14,567
Profit before taxes	**3,133**	**23,972**	**11,681**	**14,814**	**35,291**
Income tax	-1,652	122	1,871	219	17
Profit for the period	**1,481**	**24,094**	**13,552**	**15,033**	**35,308**
Operating profit (EBIT)	13,544	9,171	5,846	19,390	20,724
Depreciation	15,087	13,973	14,325	29,413	27,509
EBITDA	**28,631**	**23,144**	**20,172**	**48,803**	**48,233**
EBITDA margin in %	18.4	16.6	14.1	16.3	16.8
Earnings per share at the end of period	0.01	0.19	0.10	0.12	0.31
Weighted average number of shares	130,631,921	128,571,481	130,631,921	130,631,921	114,057,335
EUR/USD average exchange rate	1.19341	1.09860	1.23032	1.21187	1.08191

Amounts in the financial tables provided in this press release are rounded to the nearest thousand except when otherwise indicated. Rounding differences may occur.

Condensed Consolidated Statement of Financial Position

in thousands of USD	Half-year ended 30 Jun 2018 unaudited	Half-year ended 30 Jun 2017 unaudited	Year ended 31 Dec 2017 audited
ASSETS			
Non-current assets			
Property. plant and equipment	319,113	289,443	315,856
Investment properties	8,778	8,856	9,033
Intangible assets	8,317	6,788	7,060
Non-current investments	727	394	558
Other non-current assets	14,682	146	10,809
Deferred tax assets	35,665	23,454	32,959
Total non-current assets	**387,282**	**329,082**	**376,276**
Current assets			
Inventories	118,943	97,408	105,847
Trade and other receivables	81,962	69,529	82,008
Other assets	19,846	25,941	28,271
Cash and cash equivalents	295,345	350,307	319,235
Total current assets	**516,096**	**543,186**	**535,361**
TOTAL ASSETS	**903,378**	**872,268**	**911,637**
EQUITY AND LIABILITIES			
Equity			
Share capital	432,745	432,745	432,745
Share premium	348,709	349,446	348,709
Retained earnings	-91,794	-161,173	-106,814
Cumulative translation adjustment	-444	-574	-493
Treasury shares	-770	-770	-770
Total equity attributable to equity holders of the parent	**688,446**	**619,673**	**673,377**
Non-controlling interests	357	365	357
Total equity	**688,803**	**620,038**	**673,734**
Non-current liabilities			
Non-current loans and borrowings	88,397	124,151	106,178
Other non-current liabilities and provisions	8,370	8,376	8,872
Total non-current liabilities	**96,767**	**132,527**	**115,050**
Current liabilities			
Trade payables	25,866	29,674	36,684
Current loans and borrowings	36,062	34,534	37,799
Other current liabilities and provisions	55,879	55,496	48,370
Total current liabilities	**117,808**	**119,703**	**122,853**
TOTAL EQUITY AND LIABILITIES	**903,378**	**872,268**	**911,637**

Condensed Consolidated Statement of Cash Flow

in thousands of USD	Quarter ended 30 Jun 2018 unaudited	Quarter ended 30 Jun 2017 unaudited	Quarter ended 31 Mar 2018 unaudited	Half-year ended 30 Jun 2018 unaudited	Half-year ended 30 Jun 2017 unaudited
Income before taxes	**3,133**	**23,972**	**11,681**	**14,814**	**35,290**
Reconciliation of net income to cash flow arising from operating activities:	**22,493**	**-3,507**	**9,403**	**31,897**	**12,461**
Depreciation and amortization, before effect of grants and subsidies	15,087	13,973	14,325	29,413	27,509
Recognized investment, grants and subsidies netted with depreciation and amortization	-802	-947	-837	-1,639	-1,862
Interest income and expenses (net)	60	817	593	654	1,649
Loss/(gain) on the sale of plant, property and equipment (net)	-2	0	673	671	0
Loss/(gain) on the change in fair value of derivatives (net)	2,107	-7,573	1,099	3,206	-7,739
Other non-cash transactions (net)	6,043	-9,777	-6,451	-408	-7,096
Changes in working capital:	**-3,167**	**4,589**	**-11,071**	**-14,238**	**-10,470**
Decrease/(increase) of trade receivables	-1,167	18,787	2,030	863	8,877
Decrease/(increase) of other receivables and prepaid expenses	8,613	3,039	-8,776	-163	-4,560
Decrease/(increase) of inventories	-5,516	-4,031	-7,580	-13,097	-7,205
(Decrease)/increase of trade payables	-2,242	-9,950	-4,814	-7,055	-17,343
(Decrease)/increase of other liabilities	-2,855	-3,257	8,069	5,214	9,761
Income taxes (paid)/received	-85	-48	-62	-148	-252
Cash Flow from operating activities	**22,374**	**25,006**	**9,951**	**32,325**	**37,029**
Cash Flow from investing activities:					
Payments for property, plant, equipment and intangible assets	-17,730	-29,358	-20,767	-38,497	-49,992
Payments for investments	0	0	0	0	0
Acquisition of subsidiary. net of cash acquired	0	0	0	0	0
Payments for loan investments to related parties	-61	-33	-66	-127	-62
Proceeds from loan investments related parties	44	40	51	96	81
Proceeds from sale of property. plant and equipment	2	0	15	18	1
Interest received	879	483	534	1,413	797
Cash Flow used in investing activities	**-16,866**	**-28,867**	**-20,232**	**-37,098**	**-49,175**

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Condensed Consolidated Statement of Cash Flow – con't

in thousands of USD	Quarter ended 30 Jun 2018 unaudited	Quarter ended 30 Jun 2017 unaudited	Quarter ended 31 Mar 2018 unaudited	Half-year ended 30 Jun 2018 unaudited	Half-year ended 30 Jun 2017 unaudited
Cash Flow from (used in) financing activities:					
Proceeds from loans and borrowings	0	-10,073	0	0	0
Repayment of loans and borrowings	-7,814	-8,249	-8,747	-16,562	-15,204
Receipts from sale & leaseback arrangements	0	0	0	0	0
Payments of lease installments	-612	-626	-702	-1,314	-1,239
Receipt of government grants and subsidies	357	0	0	357	47
Interest paid	-514	-727	-619	-1,133	-1,389
Gross proceeds from capital increase	0	266,575	0	0	266,575
Direct cost related to capital increase	0	-7,389	0	0	-7,389
Payment of preference dividend	0	0	0	0	0
Distribution to non-controlling interests	0	0	-12	-12	-11
Cash Flow from (used in) financing activities	**-8,583**	**239,512**	**-10,081**	**-18,664**	**241,390**
Effect of changes in foreign currency exchange rates on cash	-8,445	16,785	7,991	-454	16,906
Increase/(decrease) of cash and cash equivalents	-3,075	235,651	-20,362	-23,437	229,243
Cash and cash equivalents at the beginning of the period	306,865	97,871	319,235	319,235	104,157
Cash and cash equivalents at the end of the period	**295,345**	**350,307**	**306,865**	**295,345**	**350,307**

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