

Regulated Information

X-FAB Fourth Quarter and Full Year 2020 Results

Intermediate declaration by the Board of Directors

Tessenderlo, Belgium – February 11, 2021, 05.40 p.m. CET

Highlights Q4 2020:

- › Revenue was USD 135.9 million, clearly exceeding the initial guidance of USD 120-127 million, up 20% year-on-year (YoY) and up 41% quarter-on-quarter (QoQ)
- › Record quarterly bookings at USD 190.7 million, up 49% YoY and up 71% QoQ
- › Record medical revenue at USD 12.0 million, up 90% YoY and up 57% QoQ
- › EBITDA margin of 16.6%, clearly above the 10-14% guidance
- › EBITDA was USD 22.5 million, up USD 25.1 million YoY and up USD 17.8 million QoQ
- › EBIT was USD 3.6 million, up USD 25.5 million YoY and up USD 17.6 million QoQ

Highlights 2020:

- › Revenue was USD 477.6 million, down 6% year-on-year (YoY)
- › EBITDA margin of 12.7% vs. 5.6% in 2019
- › EBITDA was USD 60.4 million, up USD 32.0 million YoY
- › EBIT was USD -14.6 million, up USD 29.2 million YoY
- › Net profit was USD 13.5 million, up 62.1 million YoY

Outlook:

- › Q1 2021 revenue is expected in the range of USD 145-152 million with an EBITDA margin in the range of 16-20%.
- › The guidance for Q1 2021 is based on an average exchange rate of 1.21 USD/Euro.
- › Management expects full year 2021 revenues in the range of USD 560-580 million with an EBITDA margin in the range of 16-20%.

Revenue breakdown per quarter:

in millions of USD	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q4 y-o-y growth
Automotive	64.1	62.5	60.5	56.7	68.3	61.6	40.8	65.4	15%
Industrial	24.1	23.3	24.4	20.1	22.1	23.9	23.9	27.3	36%
Medical	6.8	6.3	8.8	6.3	6.5	7.3	7.7	12.0	90%
Subtotal core business	95.0	92.1	93.7	83.2	96.9	92.7	72.3	104.7	26%
	72.5%	70.0%	71.8%	73.3%	76.4%	78.1%	75.2%	77.1%	
CCC ¹	35.8	39.1	36.7	30.1	29.7	25.9	23.7	30.9	3%
Others	0.2	0.3	0.0	0.1	0.3	0.2	0.1	0.3	
Total revenues	131.0	131.6	130.5	113.4	126.9	118.8	96.1	135.9	20%

¹ Consumer, Communications & Computer

in millions of USD	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q4 y-o-y growth
CMOS	118.2	114.4	114.4	98.1	112.8	103.4	81.1	115.0	17%
MEMS	8.1	10.7	9.5	9.9	9.6	10.4	9.8	14.6	48%
Silicon carbide	4.7	6.4	6.5	5.5	4.5	5.0	5.2	6.3	14%
Total revenues	131.0	131.6	130.5	113.4	126.9	118.8	96.1	135.9	20%

Business development

X-FAB closed the fourth quarter with Q4 revenues amounting to USD 135.9 million, clearly exceeding the initial guidance range of USD 120-127 million. Revenues recorded an increase of 20% compared to the same quarter last year and were up 41% quarter-on-quarter. In the fourth quarter, business developed positively across all markets.

Full year revenues totaled at USD 477.6 million, which is a 6% decline compared to 2019. While prototyping activities remained at a high level, production revenues decreased 7%, reflecting the impact of the COVID-19 pandemic on the world economy. The main contributor to overall revenue decline in 2020 was the CCC business, which decreased 22% year-on-year. This was essentially driven by the planned decrease of the legacy business at X-FAB France.

Quarterly revenues in X-FAB's core business, namely automotive, industrial and medical, amounted to USD 104.7 million, up 26% year-on-year and up 45% quarter-on-quarter. In 2020 financial year, revenues in the core markets totaled USD 366.6 million, an increase of 1% when compared to 2019. While both, X-FAB's industrial and medical businesses recorded a year-on-year growth of 6% and 19% respectively, automotive revenues decreased 3%.

After a strong pick up in September, bookings remained at a high level throughout the fourth quarter reaching a new quarterly record of USD 190.7 million and partially offsetting low order intake earlier in the year. Fourth quarter bookings increased 49% year-on-year and 71% quarter-on-quarter.

Prototyping and production revenue per quarter and end market:

in millions of USD	Revenue	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q4 y-o-y growth
Automotive	Prototyping	2.9	2.1	2.3	2.6	3.6	24%
	Production	53.8	66.2	59.3	38.2	61.8	15%
Industrial	Prototyping	8.3	7.3	7.2	7.2	8.2	-1%
	Production	11.8	14.8	16.7	16.6	19.0	61%
Medical	Prototyping	2.4	2.0	3.3	3.4	6.9	188%
	Production	4.0	4.5	4.0	4.2	5.1	28%
CCC	Prototyping	3.5	2.4	2.6	2.6	3.2	-9%
	Production	26.6	27.3	23.3	21.0	27.7	4%

In the fourth quarter, X-FAB's automotive revenues increased significantly reflecting the recovery which started towards the end of the third quarter after the COVID-19-related fall during the summer months. New product introductions have further contributed to the positive revenue development.

Industrial production revenues recorded a substantial increase in the fourth quarter, which is mainly attributable to new product launches in silicon carbide but also to the general recovery after the previous quarters' weakness.

X-FAB's quarterly medical revenues reached an all-time high with prototyping revenues performing particularly well. This is mainly due to product launch related activities which are expected to be converted into production revenue going forward.

The quarterly growth of X-FAB's CCC business reflects the ongoing recovery across all customers and applications. This is in contrast with the substantial decline of full year CCC revenues predominantly resulting from the planned decrease of the legacy business at X-FAB France. In the fourth quarter, the share of the French site's revenues based on X-FAB technologies amounted to 15% and is expected to significantly increase in the second half of 2021.

In the fourth quarter, X-FAB achieved record prototyping revenues amounting to USD 22.2 million, which is an increase of 29% year-on-year and 39% quarter-on-quarter. The strong growth in quarterly prototyping revenues was mainly driven by the activities of a major medical customer in order to prepare the start of volume production. Full year prototyping revenues totaled USD 67.7 million, recording a growth of 2% against 2019.



Operations update

In light of strong order intake in the fourth quarter, X-FAB's main focus is to ensure a reliable supply to its customers by managing the ramp-up of capacities and by execution excellence despite the sudden increase in demand. At some sites, staff availability is limited due to quarantine regulations. However, this is seen as a temporary effect and X-FAB aims to increase the wafer output in all factories while safeguarding the health and well-being of X-FAB's employees during the COVID-19 pandemic.

X-FAB's silicon carbide (SiC) business recorded quarterly revenues of USD 6.3 million, an increase of 14% year-on-year and up 20% quarter-on-quarter. SiC revenues for the full year came in at USD 21.0 million, a 10% decline compared to the previous year, while annual SiC production quantity was up 26% year-on-year. The revenue decline is partially due to the fact that one customer started to provide X-FAB with their own SiC base wafers for the manufacture of their products whereas these were previously sourced and invoiced directly by X-FAB. While the revenue invoiced to the client was lower, the value-add provided by X-FAB was unchanged.

Despite a difficult environment in 2020, X-FAB recorded a substantial year-on-year increase in silicon carbide bookings and more than doubled the number of new designs (tape-outs) compared to 2019. As at year-end, X-FAB had 23 silicon carbide customers, eight of which have started volume production. The process to qualify X-FAB's in-house SiC epitaxy with various customers is progressing well. More than ten customers are either in the process of qualification or have already started SiC epitaxy production at X-FAB. X-FAB's new SiC customer pipeline continues to grow and at the same time existing customers keep expanding their technology portfolio, pointing to a positive development for X-FAB's SiC business going forward.

Capital expenditures in the fourth quarter amounted to USD 14.6 million, down 6% year-on-year. In 2020, they totaled USD 38.5 million, which is a decrease of 51% compared to the previous year. In light of the COVID-19 pandemic and its impact on the global economy, capital expenditures were low and mainly related to the finalization of expansion projects which kicked off mid-2019. Capex spending in 2021 will largely depend on the business development going forward as well as the outlook for the following years. It is expected to range from USD 50 million up to USD 70 million.

Financial update

EBITDA of the fourth quarter amounted to USD 22.5 million with an EBITDA margin of 16.6%, exceeding the guided 10-14%. This is mainly attributable to the strong revenue increase in the fourth quarter as well as X-FAB's cost-saving initiatives with a variety of cost reduction measures related to staff, travel, electricity and raw materials. The cost-saving program, initiated in 2019 in response to the automotive crisis, was continued and intensified after the COVID-19 pandemic set in, yielding significant savings throughout the year and laying the foundation for greater profitability with continued growth going forward.



The inventory of unfinished and finished goods increased by USD 2.9 million, contributing positively to the profitability of the fourth quarter.

Cash and cash equivalents at the end of Q4 were at USD 205.9 million, up 15% against the end of the previous quarter, primarily due to strong revenue increase. Compared to the end of 2019, the cash position increased 19%, as a result of the cost-saving program.

Throughout the year, X-FAB continued its efforts to increase the share of Euro-denominated sales in order to achieve a natural currency hedging of its business. In the fourth quarter, the share of Euro-denominated sales was at 34% with approximately 40% of costs being incurred in Euro. X-FAB aims to further increase the Euro share of sales to limit the impact of exchange rate fluctuations on its profitability.

The actual US-Dollar/Euro exchange rate for the fourth quarter of 2020 was 1.19 leading to an EBITDA margin of 16.6%. At a constant exchange rate of 1.11, as experienced in the fourth quarter of last year, the EBITDA margin would have been 17.5%.

Exceptional finance income

In 2013, Sarawak Technology Holdings Sdn. Bhd (STH), a Malaysian government-linked entity and shareholder of X-FAB, granted a long-term incentive up to USD 72.0 million to X-FAB Sarawak Sdn. Bhd to finance R&D activities in the State of Sarawak. This grant was scheduled to be paid in 15 annual installments of up to USD 4.8 million.

Further to previous agreements, STH held redeemable preference shares in X-FAB Sarawak Sdn. Bhd for an amount of USD 50 million, due for bullet repayment to STH in 2030 (recognized as a financial non-current liability at discounted present value).

In October 2020, X-FAB Sarawak and STH signed a written agreement stating that STH would waive its rights on the redeemable preference shares against the cancellation of the still unrecognized and outstanding R&D grants of USD 38.4 million.

This agreement resulted in a one-off net non-cash financial gain of USD 31.8 million for X-FAB Sarawak in the fourth quarter of 2020 (as a result of the cancellation of a future liability at a discounted present value).

In the fourth quarter and as a result of the above agreement, accrued R&D subsidies booked in the first half of 2020 were reversed, which explains the exceptionally high R&D spending in the fourth quarter.

Organizational change

Effective January 1, 2021, Dr. Dirk Drescher was appointed Vice President Operations of X-FAB group replacing Dr. Manfred Riemer, who retired after having served as Chief Operations Officer for the past 15



years. Dr. Dirk Drescher joined X-FAB in 2016 as site manager and managing director of X-FAB Dresden and later on also served as CEO of X-FAB France.

Management comments & outlook

Rudi De Winter, CEO of X-FAB Group, said: "It is great to see demand is back, and after this strong uptick in bookings, it is our topmost priority to satisfy our customers' needs. Going forward, I am confident that X-FAB is well positioned for future growth, even though there is still uncertainty with respect to the development of the global economy. We have successfully streamlined our cost structure over the past two years, which provides a solid base for the increase in profitability. I am very excited about our medical business, in particular the lab-on-a-chip applications for reliable and high-throughput medical testing and analysis. The demand for such applications was further pushed by the COVID-19 pandemic, and based on the projects in the pipeline, we expect those to be a long-term growth driver for X-FAB. We also see our automotive business coming back strongly. The progression in the electrification of cars will contribute to the growth of X-FAB's auto revenues, thanks to our silicon carbide technology offering, high-voltage CMOS technologies and on-chip high-voltage isolation capabilities."

Procedures of the independent auditor

The statutory auditor, KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises BV, represented by Herwig Carmans, has confirmed that the audit procedures, which have been substantially completed, have not revealed any material adjustments which would have to be made to the condensed consolidated financial information as of and for the year ended December 31, 2020, included in the annual announcement of X-FAB Silicon Foundries SE.

X-FAB Quarterly Conference Call

X-FAB's fourth quarter results will be discussed in a live conference call on Thursday, February 11, 2020, at 6.30 p.m. CET. The conference call will be in English. Please register in advance of the conference using the following link: <http://emea.directeventreg.com/registration/2264108>.

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 February 11, 2021, 11.30 p.m. CET until February 18, 2021, 11.30 p.m. CET. The replay number will be +44 (0) 3333009785, conference ID 2264108.

The first quarter 2021 results will be communicated on April 29, 2021.



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 silicon carbide 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 3,800 people worldwide.

For more information, please visit www.xfab.com.

X-FAB Press Contact

Uta Steinbrecher
Investor Relations
X-FAB Silicon Foundries
+49-361-427-6489
uta.steinbrecher@xfab.com

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, unless legally required. 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 31 Dec 2020 unaudited	Quarter ended 31 Dec 2019 unaudited	Quarter ended 30 Sep 2020 unaudited	Year ended 31 Dec 2020 unaudited	Year ended 31 Dec 2019 audited
Revenue	135,851	113,390	96,085	477,586	506,417
Revenues in USD in %	66	73	65	68	75
Revenues in EUR in %	34	26	35	32	25
Cost of sales	-116,258	-117,702	-97,233	-433,852	-479,128
Gross Profit	19,593	-4,312	-1,148	43,734	27,290
<i>Gross Profit margin in %</i>	<i>14.4</i>	<i>-3.8</i>	<i>-1.2</i>	<i>9.2</i>	<i>5.4</i>
Research and development expenses	-9,559	-6,615	-5,462	-26,812	-28,298
Selling expenses	-2,077	-2,064	-1,798	-8,005	-8,080
General and administrative expenses	-8,065	-7,917	-6,897	-29,610	-30,728
Rental income and expenses from investment properties	703	168	765	1,691	-129
Other income and other expenses	3,026	-1,145	583	4,385	-3,920
Operating profit	3,621	-21,886	-13,957	-14,617	-43,865
Finance income	43,016	2,943	4,262	54,187	13,049
Finance costs	-5,080	-2,665	-3,240	-22,015	-14,102
Net financial result	37,936	278	1,022	32,172	-1,053
Profit before tax	41,557	-21,607	-12,935	17,555	-44,918
Income tax	-2,486	-298	5	-4,025	-3,622
Profit for the period	39,072	-21,906	-12,930	13,530	-48,540
Operating profit (EBIT)	3,621	-21,886	-13,957	-14,617	-43,865
Depreciation	18,879	19,330	18,700	75,067	72,286
EBITDA	22,500	-2,555	4,743	60,450	28,421
<i>EBITDA margin in %</i>	<i>16.6</i>	<i>-2.3</i>	<i>4.9</i>	<i>12.7</i>	<i>5.6</i>
Earnings per share at the end of period	0.30	-0.17	-0.10	0.10	-0.37
Weighted average number of shares	130,631,921	130,631,921	130,631,921	130,631,921	130,631,921
EUR/USD average exchange rate	1.19146	1.10710	1.16732	1.14126	1.11976

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	Year ended 31 Dec 2020 unaudited	Year ended 31 Dec 2019 audited
ASSETS		
Non-current assets		
Property, plant, and equipment	336,848	368,754
Investment properties	8,556	9,128
Intangible assets	4,726	8,363
Non-current investments	0	736
Other non-current assets	68	27,568
Deferred tax assets	30,392	33,922
Total non-current assets	380,590	448,471
Current assets		
Inventories	153,711	154,649
Trade and other receivables	54,576	55,636
Other assets	38,054	34,429
Cash and cash equivalents	205,867	173,211
Total current assets	452,208	417,925
TOTAL ASSETS	832,798	866,397
EQUITY AND LIABILITIES		
Equity		
Share capital	432,745	432,745
Share premium	348,709	348,709
Retained earnings	-120,660	-133,835
Cumulative translation adjustment	-690	-445
Treasury shares	-770	-770
Total equity attributable to equity holders of the parent	659,334	646,403
Non-controlling interests	344	377
Total equity	659,677	646,781
Non-current liabilities		
Non-current loans and borrowings	44,413	92,389
Other non-current liabilities and provisions	4,371	7,407
Total non-current liabilities	48,784	99,795
Current liabilities		
Trade payables	27,882	38,327
Current loans and borrowings	31,796	26,658
Other current liabilities and provisions	64,658	54,835
Total current liabilities	124,336	119,821
TOTAL EQUITY AND LIABILITIES	832,798	866,397

Condensed Consolidated Statement of Cash Flow

in thousands of USD	Quarter ended 31 Dec 2020 unaudited	Quarter ended 31 Dec 2019 unaudited	Quarter ended 30 Sep 2020 unaudited	Year ended 31 Dec 2020 unaudited	Year ended 31 Dec 2019 audited
Income before taxes	42,348	-21,607	-13,685	17,597	-44,918
Reconciliation of net income to cash flow arising from operating activities:	-21,087	21,283	9,974	33,536	74,076
Depreciation and amortization, before effect of grants and subsidies	18,879	19,330	18,700	75,067	72,286
Recognized investment grants and subsidies netted with depreciation and amortization	-850	-1,551	-852	-3,453	-3,750
Interest income and expenses (net)	-1,601	358	348	379	1,582
Loss/(gain) on the sale of plant, property, and equipment (net)	-2,668	2,195	-270	-3,253	2,202
Loss/(gain) on the change in fair value of derivatives (net) and financial assets (net)	0	5	0	-420	-355
Other non-cash transactions (net)	-34,846	944	-7,953	-34,783	2,111
Changes in working capital:	10,319	9,306	1,897	23,249	-12,093
Decrease/(increase) of trade receivables	-3,592	8,191	-2,663	362	16,169
Decrease/(increase) of other receivables & prepaid expenses	4,824	-3,402	4,800	24,900	-16,342
Decrease/(increase) of inventories	5,628	-1,623	5,928	936	-7,498
(Decrease)/increase of trade payables	4,611	8,350	-7,082	-10,970	-33
(Decrease)/increase of other liabilities	-1,151	-2,211	914	8,020	-4,389
Income taxes (paid)/received	187	-1,394	-113	-645	-2,061
Cash Flow from operating activities	31,768	7,587	-1,926	73,736	15,004
Cash Flow from investing activities:					
Payments for property, plant, equipment & intangible assets	-14,611	-15,602	-6,756	-38,460	-78,958
Payments for investments	0	0	0	0	-350
Proceeds from sale of financial assets	0	0	0	1,156	0
Acquisition of subsidiary, net of cash acquired	0	0	0	0	0
Payments for loan investments to related parties	-39	-8	-34	-211	-231
Proceeds from loan investments related parties	40	40	40	193	217
Proceeds from sale of property, plant, and equipment	2,002	415	1,208	3,528	454
Interest received	459	689	436	1,864	2,648
Cash Flow used in investing activities	-12,149	-14,466	-5,105	-31,929	-76,220

Condensed Consolidated Statement of Cash Flow – con't

in thousands of USD	Quarter ended 31 Dec 2020 unaudited	Quarter ended 31 Dec 2019 unaudited	Quarter ended 30 Sep 2020 unaudited	Year ended 31 Dec 2020 unaudited	Year ended 31 Dec 2019 audited
Cash Flow from (used in) financing activities:					
Proceeds from loans and borrowings	8,660	0	-266	17,208	24,706
Repayment of loans and borrowings	-6,232	-12,754	-7,781	-26,950	-34,667
Receipts from sale & leaseback arrangements	0	7	0	0	1,187
Payments of lease installments	-1,130	-1,399	-1,390	-5,331	-5,485
Receipt of government grants and subsidies	0	3,309	0	696	9,609
Interest paid	-1,007	-358	-185	-1,635	-1,551
Gross proceeds from capital increase	0	0	0	0	0
Direct cost related to capital increase	0	0	0	0	0
Payment of preference dividend	0	0	0	0	0
Distribution to non-controlling interests	0	-1,000	0	-12	-1,011
Cash Flow from (used in) financing activities	291	-12,195	-9,622	-16,024	-7,213
Effect of changes in foreign currency exchange rates on cash	6,295	3,036	4,679	6,872	-1,129
Increase/(decrease) of cash and cash equivalents	19,909	-19,075	-16,654	25,783	-68,428
Cash and cash equivalents at the beginning of the period	179,662	189,250	191,636	173,211	242,768
Cash and cash equivalents at the end of the period	205,867	173,211	179,662	205,867	173,211

###