



X-FAB First Quarter 2018 Results

Intermediate declaration by the Board of Directors

Tessenderlo, Belgium – May 2, 2018, 5.40 pm CEST

Highlights for Q1 2018:

- **Revenue of USD 143.5 million, at the upper end of the USD 138-144 million guidance, down 3% year-on-year and down 7% quarter-on-quarter.**
- **Core business automotive, industrial, and medical revenue up 25% year-on-year.**
- **EBITDA of USD 20.2 million, down 20% year-on-year and down 35% quarter-on-quarter; EBITDA margin of 14%, at the upper end of 12-14% guidance.**
- **EBIT of USD 5.8 million, down 49% year-on-year and down 65% quarter-on-quarter.**
- **Net profit of USD 13.6 million, up 21% year-on-year and down 58% quarter-on-quarter.**
- **Earnings per share of USD 0.10**

Outlook:

- **Management expects Q2 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 1.23 USD/Euro.**

In the first quarter, X-FAB's core business, namely automotive, industrial, and medical, grew by 25% year-on-year with a particularly strong contribution from the industrial segment, which increased by 36%. The automotive segment grew by 23% whereas the medical segment increased by only 4% due to an inventory correction of a larger account. CCC business dropped by 22% compared to the same quarter last year still suffering from the capacity limitations X-FAB faced during the year 2017.

The RF-SOI mobile applications manufactured at X-FAB France displayed typical lower Q1 revenue cyclicity, dropping by about USD 6 million compared to previous quarter. However, this year, the RF-SOI ramp up did set in a month later than previous years resulting in an expected slightly lower revenue. RF-SOI consumer sales are expected to pick up again in the second quarter.



Revenue Breakdown per Quarter

in millions of USD	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Automotive	46.2	52.9	55.9	56.0	54.5	59.3	66.5	70.2	67.2
Industrial	11.8	11.3	14.9	12.7	15.2	16.5	16.7	18.5	20.7
Medical	2.7	2.6	4.1	3.5	4.6	4.5	6.6	6.9	4.8
Subtotal core business¹	60.6	66.8	74.8	72.2	74.3	80.3	89.8	95.6	92.8
	56.9%	56.4%	58.2%	45.3%	50.2%	57.6%	64.0%	62.0%	64.6%
CCC ²	24.8	25.5	29.8	30.5	30.9	24.4	18.8	24.2	23.9
Others	0.7	0.7	0.3	0.7	0.7	0.5	0.8	0.9	0.4
Subtotal ¹	86.1	93.0	105.0	103.4	106.0	105.2	109.4	120.7	117.1
	80.8%	78.5%	81.6%	64.9%	71.6%	75.5%	78.0%	78.3%	81.6%
X-FAB France ³	0.0	0.0	0.0	31.6	26.5	31.0	30.9	33.4	26.4
Subcontracted business	20.4	25.5	23.6	24.3	15.4	3.2	0.0	0.0	0.0
Total revenues	106.5	118.5	128.6	159.3	147.9	139.3	140.3	154.1	143.5

¹ Without X-FAB France and Subcontracting Business

² Consumer, Communications & Computer

³ X-FAB France business is predominantly CCC with a small amount of Automotive and Industrial business

The weaker US-Dollar versus the Euro has continued to create a headwind for profitability. The average exchange rate for the first quarter 2018 deteriorated by more than 5 cents compared to the previous quarter and by more than 16 cents compared to the same quarter last year.

Despite a weaker average USD/Euro exchange rate of 1.23 in the first quarter compared to the expectation of 1.20, profitability is at the upper end of guidance due to a higher than expected increase of WIP (work in progress), which will be supporting the second quarter revenue increase.

In the first quarter of 2018, the share of revenue that is incurred in Euro increased to 19% compared to 13% in the same quarter last year, whilst about 40% of expenses incurred were denominated in Euro. In the future, X-FAB aims at further increasing the Euro share of its revenue to provide a natural hedge.

At a constant USD/Euro exchange rate of 1.065 experienced in Q1 2017, the EBITDA margin in Q1 2018 would have been 18-19%. The actual exchange rate for the first quarter of 2018 was 1.23, and the corresponding EBITDA margin 14%.

The positive net financial result of USD 5.8 million is mainly due to the translation effect of the portion of Euro cash into US-Dollar.



The capacity expansion of the Malaysian fab has been completed as scheduled. The additional capacity of 4,000 wafer starts per month, currently being ramped up, will help to alleviate the tight spare capacity at X-FAB Sarawak and will also contribute to the expected sales increase in the second quarter. After this expansion, X-FAB's total capacity is at 98,000 wafer starts per month (in 200mm equivalent wafers).

The transfer of X-FAB technologies to X-FAB France is progressing with high priority, and prototyping for new products is ongoing. As a result, the plan to start production of automotive products on X-FAB technologies in 2018 is on track. By comparison, in Q1 2018 about 10% of the output of X-FAB France was based on X-FAB technologies.

In the first quarter of 2018, the silicon carbide activities at X-FAB Texas continued to show good progress, with the SiC business being mainly driven by automotive applications for electric vehicles. First production is mainly used in electric vehicles in China, the world's largest market.

In the first quarter of 2018, prototyping revenues came in at USD 12.7 million, a decrease of 17% quarter-on-quarter and 4% year-on-year. This decline is due to a relatively higher base effect, first in Q4 2017 when main projects were kicked off, and for the whole of 2017 when the SiC business contributed strongly to prototyping revenues as all customers worked on preparing their production starts.

Commenting on the development of X-FAB's business, Rudi De Winter added: "We do see healthy demand in all markets that X-FAB is serving and expect increased volumes across all lines. With the progress made with the integration of X-FAB France as well as the additional capacity available at X-FAB Sarawak, we will be in a much better position to support the solid demand going forward. In all factories we are increasing output returning to strong revenue growth for the next quarter driven by the robust demand in our core markets as well as the prototyping pipeline gradually turning into volume production."



X-FAB Quarterly Conference Call

X-FAB's fourth quarter results will be discussed in a live conference call on Wednesday, May 2, 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/1995928>.

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 May 2nd 9.30 pm CET until May 9th 9.30 pm CET. The replay number will be +44 (0)1452550000, conference ID 1995928.

The second quarter 2018 results will be communicated on July 31, 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 31 Mar 2018 unaudited	Quarter ended 31 Mar 2017 unaudited	Quarter ended 31 Dec 2017 unaudited	Year ended 31 Dec 2017 audited
Revenue	143,530	147,942	154,118	581,687
Revenues in USD in %	81	87	83	84
Revenues in EUR in %	19	13	16	16
Cost of sales	-119,228	-118,633	-119,826	-465,948
Gross Profit	24,302	29,309	34,293	115,739
<i>Gross Profit margin in %</i>	<i>16.9</i>	<i>19.8</i>	<i>22.3</i>	<i>19.9</i>
Research and development expenses	-8,191	-7,503	-7,130	-28,326
Selling expenses	-2,206	-2,371	-2,230	-8,874
General and administrative expenses	-7,964	-7,768	-8,607	-30,306
Rental income and expenses from investment properties	570	56	514	2,152
Other income and other expenses	-665	-170	100	105
Operating profit	5,846	11,553	16,940	50,489
Finance income	14,805	712	10,273	55,208
Finance costs	-8,971	-947	-5,179	-26,109
Net financial result	5,835	-235	5,095	29,099
Profit before taxes	11,681	11,318	22,035	79,588
Income tax	1,871	-104	10,006	10,169
Profit for the period	13,552	11,214	32,041	89,758
EBITDA	20,172	25,088	31,139	106,114
<i>EBITDA margin in %</i>	<i>14.1</i>	<i>17.0</i>	<i>20.2</i>	<i>18.2</i>
Earnings per share at the end of period	0,10	0,11	0,25	0,73
Weighted average number of shares	130,631,921	99,381,921	130,631,921	122,412,473
EUR/USD average exchange rate	1.23032	1.06522	1.17748	1.12893



Condensed Consolidated Statement of Financial Position

in thousands of USD	Quarter ended 31 Mar 2018 unaudited	Quarter ended 31 Mar 2017 unaudited	Year ended 31 Dec 2017 audited
ASSETS			
Non-current assets			
Property, plant and equipment	319,598	274,645	315,856
Investment properties	8,925	9,000	9,033
Intangible assets	7,725	7,536	7,060
Non-current investments	641	359	558
Other non-current assets	14,096	48	10,809
Deferred tax assets	35,490	20,438	32,959
Total non-current assets	386,476	312,025	376,276
Current assets			
Inventories	113,992	92,387	105,847
Trade and other receivables	80,497	87,417	82,008
Other assets	33,124	27,539	28,271
Cash and cash equivalents	306,865	97,871	319,235
Total current assets	534,478	305,214	535,361
TOTAL ASSETS	920,954	617,239	911,637
EQUITY AND LIABILITIES			
Equity			
Share capital	432,745	265,231	432,745
Share premium	348,709	255,004	348,709
Retained earnings	-93,155	-185,287	-106,814
Cumulative translation adjustment	-786	-740	-493
Treasury shares	-770	-770	-770
Total equity attributable to equity holders of the parent	686,743	333,439	673,377
Non-controlling interests	336	384	357
Total equity	687,079	333,823	673,734
Non-current liabilities			
Non-current loans and borrowings	99,868	126,459	106,178
Other non-current liabilities and provisions	8,944	8,234	8,872
Total non-current liabilities	108,812	134,692	115,050
Current liabilities			
Trade payables	29,123	43,537	36,684
Current loans and borrowings	38,502	42,731	37,799
Other current liabilities and provisions	57,437	62,456	48,370
Total current liabilities	125,063	148,723	122,853
TOTAL EQUITY AND LIABILITIES	920,954	617,239	911,637



Condensed Consolidated Statement of Cash Flow

in thousands of USD	Quarter ended 31 Mar 2018 unaudited	Quarter ended 31 Mar 2017 unaudited	Quarter ended 31 Dec 2017 unaudited	Year ended 31 Dec 2017 audited
Income before taxes	11,681	11,318	22,035	79,588
Reconciliation of net income to cash flow arising from operating activities:	9,403	15,967	8,000	25,332
Depreciation and amortization, before effect of grants and subsidies	14,325	13,535	14,200	55,625
Recognized investment grants and subsidies netted with depreciation and amortization	-837	-915	-868	-3,622
Interest income and expenses (net)	593	833	483	2,935
Loss/(gain) on the sale of plant, property, equipment (net)	673	0	72	8
Loss/(gain) on the change in fair value of derivatives (net)	1,099	-167	-470	-11,698
Other non-cash transactions (net)	-6,451	2,681	-5,417	-17,916
Changes in working capital:	-11,071	-15,059	-13,071	-40,527
Decrease/(increase) of trade receivables	2,030	-9,910	-9,059	-2,936
Decrease/(increase) of other receivables & prepaid expenses	-8,776	-7,600	-2,891	-14,231
Decrease/(increase) of inventories	-7,580	-3,174	-2,280	-16,875
(Decrease)/increase of trade payables	-4,814	-7,393	10,649	-11,281
(Decrease)/increase of other liabilities	8,069	13,018	-9,489	4,797
Income taxes (paid)/received	-62	-204	-283	-1,153
Cash Flow from operating activities	9,951	12,022	16,681	63,240
Cash Flow from investing activities:				
Payments for property, plant, equipment & intangible assets	-20,767	-20,633	-34,708	-102,536
Payments for investments	0	0	0	0
Acquisition of subsidiary, net of cash acquired	0	0	0	0
Payments for loan investments to related parties	-66	-29	-35	-131
Proceeds from loan investments related parties	51	41	35	146
Proceeds from sale of property, plant and equipment	15	0	25	91
Interest received	534	314	609	1,901
Cash Flow used in investing activities	-20,232	-20,308	-34,075	-100,528

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Condensed Consolidated Statement of Cash Flow – con't

in thousands of USD	Quarter ended 31 Mar 2018 unaudited	Quarter ended 31 Mar 2017 unaudited	Quarter ended 31 Dec 2017 unaudited	Year ended 31 Dec 2017 audited
Cash Flow from (used in) financing activities:				
Proceeds from loans and borrowings	0	10,073	0	0
Repayment of loans and borrowings	-8,747	-6,955	-8,826	-32,008
Receipts from sale & leaseback arrangements	0	0	-8	0
Payments of lease installments	-702	-613	-468	-2,377
Receipt of government grants and subsidies	0	47	0	375
Interest paid	-619	-663	-656	-2,814
Gross proceeds from capital increase	0	0	0	266,575
Direct cost related to capital increase	0	0	0	-7,389
Payment of preference dividend	0	0	-3,095	-3,095
Distribution to non-controlling interests	-12	-11	0	-3,106
Cash Flow from (used in) financing activities	-10,081	1,878	-13,055	219,257
Effect of changes in foreign currency exchange rates on cash	7,991	121	6,296	33,109
Increase/(decrease) of cash and cash equivalents	-20,362	-6,408	-30,449	181,968
Cash and cash equivalents at the beginning of the period	319,235	104,157	343,389	104,157
Cash and cash equivalents at the end of the period	306,865	97,871	319,235	319,235

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