



## X-FAB Third Quarter 2018 Results

### Intermediate declaration by the Board of Directors

Tessenderlo, Belgium – November 6<sup>th</sup>, 2018, 5.40 pm CET

#### Highlights for Q3 2018:

- **Revenue was USD 151.4 million, below the guidance of USD 154-159 million, up 8% year-on-year and down 3% quarter-on-quarter.**
- **Core business automotive, industrial, and medical business was up 12% year-on-year.**
- **EBITDA was USD 29.7 million, up 11% year-on-year and up 4% quarter-on-quarter; EBITDA margin of 19.6%, at the upper end of the 18-20% guidance.**
- **EBIT was USD 14.4 million, up 12% year-on-year and up 6% quarter-on-quarter.**
- **Net profit was USD 12.1 million, down 46% year-on-year and up eight times quarter-on-quarter.**
- **Earnings per share was USD 0.09**

#### Outlook:

- **Management now expects Q4 2018 revenue of USD 132-138 million with an EBITDA margin of 8-10% and an EBIT of USD -6 to -2 million. As a result, full year revenues for 2018 will be in the range of USD 582-589 million with an EBITDA margin in the range of 15.3-15.8% and an EBIT in the range of USD 28-32 million. The guidance is based on the current exchange rate of 1.15 for Q4 2018. For the full year 2018, the planned average exchange rate is 1.189.**

#### Business development

In the third quarter, revenues amounted to USD 151.4 million coming in slightly below the guidance of USD 154 to 159 million, whereas the increase in assets of work in progress and finished goods at the end of the quarter contributed to a profitability improvement.

X-FAB's core business, namely automotive, industrial, and medical, recorded a growth of 12% year-on-year. The automotive segment increased by 11%, industrial by 21%, whereas the medical segment went down by 5%.

Consumer, communications & computer business (CCC) increased by 23% compared to the same quarter last year. It includes the X-FAB technology-based consumer business manufactured at X-FAB France. The French site's legacy business went down by 11% year-on-year in line with expectations.

Due to ongoing inventory corrections based on the current market conditions, X-FAB adjusts its guidance for the full year. Revenue in 2018 is expected in the range of USD 582-589 million versus the previous guidance



of USD 615-655 million. EBIT for the full year 2018 is expected in the range of USD 28-32 million while it was previously forecasted in the range of USD 50-70m.

### Revenue Breakdown per Quarter

in millions of USD	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q3 y-o-y growth
Automotive	56.0	54.5	59.3	66.5	70.2	67.2	77.2	73.9	11%
Industrial	12.7	15.2	16.5	16.7	18.5	20.7	21.1	20.2	21%
Medical	3.5	4.6	4.5	6.6	6.9	4.8	5.6	6.3	-5%
<b>Subtotal core business<sup>1</sup></b>	<b>72.2</b>	<b>74.3</b>	<b>80.3</b>	<b>89.8</b>	<b>95.6</b>	<b>92.8</b>	<b>103.8</b>	<b>100.4</b>	<b>12%</b>
	45.3%	50.2%	57.6%	64.0%	62.0%	64.6%	66.8%	66.3%	
CCC <sup>2</sup>	30.6	31.0	24.5	18.9	24.9	26.0	26.6	23.2	23%
Others	0.7	0.7	0.5	0.8	0.9	0.4	0.3	0.3	-63%
<b>Subtotal</b>	<b>103.5</b>	<b>106.1</b>	<b>105.3</b>	<b>109.5</b>	<b>121.4</b>	<b>119.2</b>	<b>130.8</b>	<b>123.9</b>	<b>13%</b>
	65.0%	71.7%	75.6%	78.0%	78.8%	83.0%	84.1%	81.8%	
X-FAB France legacy business <sup>3</sup>	31.4	26.4	30.9	30.8	32.7	24.3	24.7	27.5	-11%
Subcontracted business	24.3	15.4	3.2	0.0	0.0	0.0	0.0	0.0	
<b>Total revenues</b>	<b>159.3</b>	<b>147.9</b>	<b>139.3</b>	<b>140.3</b>	<b>154.1</b>	<b>143.5</b>	<b>155.5</b>	<b>151.4</b>	<b>8%</b>

<sup>1</sup> Excluding X-FAB France and subcontracted business

<sup>2</sup> Consumer, Communications & Computer including X-FAB France consumer business based on X-FAB technologies

<sup>3</sup> Former Altis Semiconductor business taken over with the acquisition in 2016; predominantly CCC business and a small amount of automotive and industrial business

In the third quarter, X-FAB group prototyping revenue came in at USD 14.1 million, which is an increase of 10% year-on-year. Prototyping revenue is predominantly driven by new contracts, therefore adding up to the pipeline of new projects supporting future growth.

### FX volatility

In the third quarter, the stronger US-Dollar versus the Euro has created a minor tailwind for profitability compared to the previous quarter. The average exchange rate improved by more than three cents. Year-on-year, the exchange rate deteriorated only slightly by approx. 1.2 cents.

At a constant USD/Euro exchange rate of 1.17 experienced in the third quarter of last year, the EBITDA margin in Q3 2018 would have been at 19.4%. The actual exchange rate for the third quarter of 2018 was 1.16 with a corresponding EBITDA margin of 19.6%.



## Operations Update

The X-FAB technology implementations at X-FAB France progressed further. As it stands now and based on current market demand, automotive production is planned to start in the first half of 2019.

The silicon carbide activities at X-FAB Texas progressed well. In the third quarter, SiC revenues continued to grow in terms of prototyping as well as volume production. Based on the strong demand for SiC, the site has kicked off a project to double the capacity to be ready for further growth in 2019.

X-FAB also continued its expansion and optimization projects running at other sites with the goal to increase output and productivity.

Commenting on the development of X-FAB's business, Rudi De Winter, CEO of X-FAB Group, added: "The adjusted outlook on the fourth quarter is the consequence of the current market uncertainties mainly due to worldwide trade tensions. This in turn is triggering inventory corrections throughout the supply chain. As X-FAB is far upstream, the impact is relatively more amplified both when inventories are reduced as well as when they go back up. We will be closely following the overall trend to be ready for the typical upswing. The fundamentals of X-FAB remain fully intact. This is supported by the healthy evolution of our prototyping revenue that further fills the pipeline for future growth. We are particularly excited by the general trend of increased electronics in cars. Additionally, X-FAB's silicon carbide offering will profit in the coming years of the transition to hybrid and electric vehicles."

The board of directors nominated Ms. Ling Qi as independent director. Her nomination will be submitted to the shareholders' meeting for definitive appointment. Since China as a market is becoming more important for X-FAB, it was decided to nominate Ms. Ling Qi to expand the board with respective competence and network. Ms. Ling Qi is Chinese citizen and entrepreneur in China and has an excellent understanding of both Chinese and European culture.

The fourth quarter 2018 results will be communicated on February 12<sup>th</sup>, 2019.

## X-FAB Quarterly Conference Call

X-FAB's third quarter results will be discussed in a live conference call on Tuesday, November 6<sup>th</sup>, 2018 at 6.30 pm CET. The conference call will be in English. Please register in advance of the conference using the following link: <http://emea.directeventreg.com/registration/7265029>.

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 November 6<sup>th</sup> 9.30 pm CET until November 13<sup>th</sup> 9.30 pm CET. The replay number will be +44 (0) 3333009785, conference ID 7265029.



## 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  $\mu\text{m}$ , 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 4,000 people worldwide.

For more information, please visit [www.xfab.com](http://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 Sep 2018 unaudited	Quarter ended 30 Sep 2017 unaudited	Quarter ended 30 Jun 2018 unaudited	Nine months ended 30 Sep 2018 unaudited	Nine months ended 30 Sep 2017 unaudited
Revenue	151,448	140,287	155,497	450,475	427,569
Revenues in USD in %	82	81	83	82	84
Revenues in EUR in %	18	19	17	18	16
Cost of sales	-119,743	-112,081	-124,616	-363,587	-346,123
<b>Gross Profit</b>	<b>31,704</b>	<b>28,206</b>	<b>30,882</b>	<b>86,888</b>	<b>81,446</b>
<i>Gross Profit margin in %</i>	<i>20.9%</i>	<i>20.1%</i>	<i>19.9%</i>	<i>19.3%</i>	<i>19.0%</i>
Research and development expenses	-7,280	-6,995	-7,935	-23,406	-21,195
Selling expenses	-1,900	-2,123	-1,942	-6,048	-6,644
General and administrative expenses	-8,299	-6,992	-7,439	-23,702	-21,699
Rental income and expenses from investment properties	467	628	439	1,476	1,637
Other income and other expenses	-299	103	-461	-1,425	5
<b>Operating profit</b>	<b>14,393</b>	<b>12,826</b>	<b>13,544</b>	<b>33,783</b>	<b>33,550</b>
Finance income	2,803	19,294	-290	17,318	44,935
Finance costs	-4,750	-9,857	-10,120	-23,840	-20,931
<b>Net financial result</b>	<b>-1,947</b>	<b>9,437</b>	<b>-10,410</b>	<b>-6,522</b>	<b>24,004</b>
<b>Profit before taxes</b>	<b>12,446</b>	<b>22,263</b>	<b>3,133</b>	<b>27,261</b>	<b>57,554</b>
Income tax	-372	146	-1,652	-153	163
<b>Profit for the period</b>	<b>12,068</b>	<b>22,409</b>	<b>1,460</b>	<b>27,089</b>	<b>57,742</b>
Operating profit (EBIT)	14,393	12,826	13,544	33,783	33,550
Depreciation	15,292	13,917	15,087	44,705	41,425
<b>EBITDA</b>	<b>29,685</b>	<b>26,742</b>	<b>28,631</b>	<b>78,488</b>	<b>74,975</b>
<i>EBITDA margin in %</i>	<i>19.6</i>	<i>19.1</i>	<i>18.4</i>	<i>17.4</i>	<i>17.5</i>
<b>Earnings per share at the end of period</b>	<b>0.09</b>	<b>0.17</b>	<b>0.01</b>	<b>0.21</b>	<b>0.48</b>
Weighted average number of shares	130,631,921	130,631,921	128,571,481	130,631,921	119,642,910
EUR/USD average exchange rate	1.16271	1.17442	1.19341	1.19548	1.11274

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	Nine months ended 30 Sep 2018 unaudited	Nine months ended 30 Sep 2017 unaudited	Year ended 31 Dec 2017 audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant, and equipment	328,130	297,290	315,856
Investment properties	8,822	8,737	9,033
Intangible assets	8,470	6,672	7,060
Non-current investments	515	680	558
Other non-current assets	16,715	147	10,809
Deferred tax assets	35,953	23,968	32,959
<b>Total non-current assets</b>	<b>398,605</b>	<b>337,493</b>	<b>376,276</b>
<b>Current assets</b>			
Inventories	131,139	105,417	105,847
Trade and other receivables	68,832	72,690	82,008
Other assets	19,802	35,047	28,271
Cash and cash equivalents	287,998	343,389	319,235
<b>Total current assets</b>	<b>507,771</b>	<b>556,543</b>	<b>535,361</b>
<b>TOTAL ASSETS</b>	<b>906,377</b>	<b>894,036</b>	<b>911,637</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	432,745	432,745	432,745
Share premium	348,709	349,446	348,709
Retained earnings	-79,726	-138,764	-106,814
Cumulative translation adjustment	-451	-420	-493
Treasury shares	-770	-770	-770
<b>Total equity attributable to equity holders of the parent</b>	<b>700,508</b>	<b>642,237</b>	<b>673,377</b>
Non-controlling interests	363	364	357
<b>Total equity</b>	<b>700,871</b>	<b>642,601</b>	<b>673,734</b>
<b>Non-current liabilities</b>			
Non-current loans and borrowings	80,624	118,941	106,178
Other non-current liabilities and provisions	8,232	8,893	8,872
<b>Total non-current liabilities</b>	<b>88,856</b>	<b>127,834</b>	<b>115,050</b>
<b>Current liabilities</b>			
Trade payables	22,751	28,022	36,684
Current loans and borrowings	34,702	36,175	37,799
Other current liabilities and provisions	59,198	59,404	48,370
<b>Total current liabilities</b>	<b>116,650</b>	<b>123,600</b>	<b>122,853</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>906,377</b>	<b>894,036</b>	<b>911,637</b>



## Condensed Consolidated Statement of Cash Flow

in thousands of USD	Quarter ended 30 Sep 2018 unaudited	Quarter ended 30 Sep 2017 unaudited	Quarter ended 30 Jun 2018 unaudited	Nine months ended 30 Sep 2018 unaudited	Nine months ended 30 Sep 2017 unaudited
<b>Income before taxes</b>	<b>12,446</b>	<b>22,263</b>	<b>3,133</b>	<b>27,261</b>	<b>57,554</b>
<b>Reconciliation of net income to cash flow arising from operating activities:</b>	<b>16,894</b>	<b>4,871</b>	<b>22,493</b>	<b>48,791</b>	<b>17,332</b>
Depreciation and amortization, before effect of grants and subsidies	15,292	13,917	15,087	44,705	41,425
Recognized investment, grants and subsidies netted with depreciation and amortization	-784	-892	-802	-2,423	-2,754
Interest income and expenses (net)	112	803	60	765	2,452
Loss/(gain) on the sale of plant, property and equipment (net)	58	-64	-2	729	-64
Loss/(gain) on the change in fair value of derivatives (net)	212	-3,489	2,107	3,418	-11,229
Other non-cash transactions (net)	2,004	-5,402	6,043	1,596	-12,498
<b>Changes in working capital:</b>	<b>-3,087</b>	<b>-16,986</b>	<b>-3,167</b>	<b>-17,326</b>	<b>-27,456</b>
Decrease/(increase) of trade receivables	11,874	-2,754	-1,167	12,736	6,123
Decrease/(increase) of other receivables and prepaid expenses	-862	-6,779	8,613	-1,026	-11,340
Decrease/(increase) of inventories	-12,197	-7,390	-5,516	-25,293	-14,595
(Decrease)/increase of trade payables	-5,280	-4,587	-2,242	-12,335	-21,930
(Decrease)/increase of other liabilities	3,377	4,525	-2,855	8,592	14,286
Income taxes (paid)/received	-162	-618	-85	-310	-870
<b>Cash Flow from operating activities</b>	<b>26,091</b>	<b>9,530</b>	<b>22,374</b>	<b>58,416</b>	<b>46,559</b>
<b>Cash Flow from investing activities:</b>					
Payments for property, plant, equipment and intangible assets	-23,116	-17,836	-17,730	-61,613	-67,827
Payments for investments	-162	0	0	-162	0
Acquisition of subsidiary, net of cash acquired	0	0	0	0	0
Payments for loan investments to related parties	-29	-33	-61	-156	-95
Proceeds from loan investments related parties	46	30	44	142	111
Proceeds from sale of property, plant and equipment	10	66	2	27	67
Interest received	840	495	879	2,253	1,292
<b>Cash Flow used in investing activities</b>	<b>-22,411</b>	<b>-17,277</b>	<b>-16,866</b>	<b>-59,509</b>	<b>-66,453</b>

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## Condensed Consolidated Statement of Cash Flow – con't

in thousands of USD	Quarter ended 30 Sep 2018 unaudited	Quarter ended 30 Sep 2017 unaudited	Quarter ended 30 Jun 2018 unaudited	Nine months ended 30 Sep 2018 unaudited	Nine months ended 30 Sep 2017 unaudited
<b>Cash Flow from (used in) financing activities:</b>					
Proceeds from loans and borrowings	0	0	0	0	0
Repayment of loans and borrowings	-8,675	-7,978	-7,814	-25,237	-23,182
Receipts from sale & leaseback arrangements	0	8	0	0	8
Payments of lease installments	-629	-670	-612	-1,943	-1,909
Receipt of government grants and subsidies	0	329	357	357	375
Interest paid	-544	-768	-514	-1,677	-2,157
Gross proceeds from capital increase	0	0	0	0	266,575
Direct cost related to capital increase	0	0	0	0	-7,389
Payment of preference dividend	0	0	0	-12	-11
Distribution to non-controlling interests					
<b>Cash Flow from (used in) financing activities</b>	<b>-9,848</b>	<b>-9,079</b>	<b>-8,583</b>	<b>-28,512</b>	<b>232,311</b>
Effect of changes in foreign currency exchange rates on cash	-1,178	9,907	-8,445	-1,632	26,814
Increase/(decrease) of cash and cash equivalents	-6,169	-16,826	-3,075	-29,606	212,418
Cash and cash equivalents at the beginning of the period	295,345	350,307	306,865	319,235	104,157
<b>Cash and cash equivalents at the end of the period</b>	<b>287,998</b>	<b>343,389</b>	<b>295,345</b>	<b>287,998</b>	<b>343,389</b>

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