



Regulated Information

X-FAB Fourth Quarter and Full Year 2018 Results

Intermediate declaration by the Board of Directors

Tessenderlo, Belgium – February 12th, 2019, 5.40 pm CET

Highlights for Q4 2018:

- **Revenue was USD 137.4 million, at the upper end of the guidance of USD 132-138 million, down 11% year-on-year and down 9% quarter-on-quarter**
- **EBITDA was USD 15.9 million, down 49% year-on-year and down 46% quarter-on-quarter**
EBITDA margin of 11.6%, above the 8-10% guidance
- **EBIT was USD -0.9 million, down USD 17.8 million year-on-year and down USD 15.3 million quarter-on-quarter**
- **Net loss was USD 4.6 million, down USD 36.6 million year-on-year and down USD 16.6 million quarter-on-quarter**
- **Loss per share was USD 0.03**

Highlights for 2018:

- **Revenue of USD 587.9 million, up 1% year-on-year**
- **EBITDA of USD 94.4 million, down 11% year-on-year**
- **EBIT of USD 32.9 million, down 35% year-on-year**
- **Net profit of USD 22.5 million, down 75% year-on-year**
- **Earnings per share of USD 0.17**

Outlook:

- **Q1 2019 revenue is expected in the range of USD 126-133 million with an EBITDA margin in the range of 2% to 5%. As 2019 progresses, management expects revenues to return to growth in the second half of the year exceeding past quarterly sales levels.**
- **Q1 2019 guidance is based on an average exchange rate of 1.15 USD/Euro.**

Business development

In the fourth quarter, X-FAB recorded revenues of USD 137.4 million coming in at the upper end of the guidance range of USD 132-138 million. Year-on-year, revenues decreased by 11%, quarter-on-quarter revenues went down by 9%.

X-FAB's core business, namely automotive, industrial and medical, totaled at USD 87.2 million and decreased by 9% compared to the same quarter last year. For the full year of 2018, the core markets recorded a growth of 13% over 2017.



The automotive segment was the key factor driving the overall revenue decrease. In the fourth quarter, X-FAB's automotive revenues went down by 18% with the decline mainly coming from a general reduction of inventories in the automotive supply chain triggered by reduced car sales in the fourth quarter of 2018. The main long term driver for automotive sales is the increased electronic content per car. Fourth quarter prototyping revenues in the automotive market segment increased by 16% compared to the same quarter last year. For the total of 2018, the increase of prototyping revenues over the previous year amounted to 2%.

Revenues in the industrial market segment continued to grow strongly and recorded a year-on-year growth of 22%, whereas prototyping revenues year-on-year increased by 29% in Q4 2018 and by 41% in 2018 compared to 2017.

In the fourth quarter, medical revenues increased by 6% year-on-year, whereas medical production revenues recorded a growth of 28%. Prototyping revenues in the medical segment, usually being subject to fluctuations and also based on achievements of project milestones, was lower in the fourth quarter with a year-on-year decrease of 29% and a decline of 18% in 2018 over 2017.

Year-on-year, consumer, communications & computer business (CCC) decreased by 8%. It includes X-FAB technology-based consumer business manufactured at X-FAB France.

Revenue breakdown per quarter

in millions of USD	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q4 y-o-y growth
Automotive	54.5	59.3	66.5	70.2	67.2	77.2	73.9	57.2	-18 %
Industrial	15.2	16.5	16.7	18.5	20.7	21.1	20.2	22.7	22%
Medical	4.6	4.5	6.6	6.9	4.8	5.6	6.3	7.3	6%
Subtotal core business¹	74.3	80.3	89.8	95.6	92.8	103.8	100.4	87.2	-9%
	50.2%	57.6%	64.0%	62.0%	64.6%	66.8%	66.3%	63.4%	
CCC ²	31.0	24.5	18.9	24.9	26.0	26.6	23.2	23.0	-8%
Others	0.7	0.5	0.8	0.9	0.4	0.3	0.3	0.3	
Subtotal	106.1	105.3	109.5	121.4	119.2	130.8	123.9	110.4	-9%
	71.7%	75.6%	78.0%	78.8%	83.0%	84.1%	81.8%	80.3%	
X-FAB France legacy business ³	26.4	30.9	30.8	32.7	24.3	24.7	27.5	27.0	-17%
Subcontracted business	15.4	3.2	0.0	0.0	0.0	0.0	0.0	0.0	
Total revenues	147.9	139.3	140.3	154.1	143.5	155.5	151.4	137.4	-11%

¹ Excluding X-FAB France and subcontracted 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 French site's legacy business went down by 17% year-on-year, which is in line with expectations. 8% of the revenues generated by X-FAB France in the fourth quarter were based on X-FAB technologies. The reduction compared to the previous quarter was mainly based on lower sales of Trench MOSFET technologies due to an overall reduction of inventories in the standard product discrete market.



In the fourth quarter, X-FAB group prototyping revenue came in at USD 17.6 million, which is an increase of 15% year-on-year including an IP sale amounting to USD 1 million. Excluding this one-off effect, prototyping revenue still increased by more than 8% predominantly driven by new contracts, therefore adding up to the pipeline of new projects supporting future growth.

Operations update

X-FAB continued its expansion and optimization projects across all sites aiming to increase output and productivity.

The silicon carbide activities at X-FAB Texas progressed well. In the fourth quarter of 2018, X-FAB won two new SiC customers; SiC revenues recorded revenues of USD 5.0 million in Q4 2018 and USD 11.3 million for the full year. The expansion project to secure sufficient capacity for the growing demand in SiC is on track. Production ramp up of the additional implanter is expected to start in the third quarter of 2019. Despite the tight supply situation for high quality SiC substrates, X-FAB successfully negotiated long-term agreements securing supply until mid-2021.

The implementation of 180nm X-FAB technologies at X-FAB France advanced well and the first automotive production wafers are expected to be started in the second quarter 2019.

X-FAB Dresden progressed with its three year expansion plan aiming to increase production capacity from 8,000 wafer starts per month to beyond 11,000 wafer starts per month. In a first step, capacity is scheduled to increase to 9,000 wafer starts per month by the end of the second quarter.

X-FAB Sarawak (Malaysia) has kicked off a productivity improvement project. Including some bottleneck investments, the site is scheduled to increase capacity from 28,000 wafer starts per month to 30,000 wafer starts per month until the end of 2019.

For the continuation of the expansion and optimization projects, X-FAB foresees capital expenditures of about USD 100m in 2019.

Profitability and FX volatility

Despite the decrease of revenues due to market contraction, the work in progress and finished goods increased by USD 3.7 million at the end of the quarter, which had a positive effect on profitability.

The actual exchange rate for the fourth quarter of 2018 was 1.14 with a corresponding EBITDA margin of 11.6%. At a constant USD/Euro exchange rate of 1.18 experienced in the fourth quarter of last year, the EBITDA margin in Q4 2018 would have been at 10.7%.

In order to limit the effect of the US-Dollar/Euro exchange rate fluctuations, X-FAB aims at increasing the share of Euro-denominated sales and managed to raise it to 21% in the fourth quarter of 2018 compared to



16% in the same quarter last year. The aim is to achieve a 25% share of Euro-denominated sales by the end of 2019.

The financial result of the fourth quarter was negatively affected by the weakness of the Malaysian ringgit, whereas a favorable conversion rate of Euro-denominated loans into US-Dollar had a positive effect.

Management comments & outlook

Commenting on the development of X-FAB's business, Rudi De Winter, CEO of X-FAB Group, said: „We are still facing reduced sales in the first quarter of 2019 as a result of inventory corrections. These are caused by slightly slower car sales and market uncertainties, mainly due to worldwide trade tensions. This in turn is triggering inventory corrections throughout the supply chain. As it takes about ten months from placing an order at X-FAB to assembling the car at the OEM, a small variation in car sales combined with a negative market segment growth can cause overreactions in the supply chain that amplify the effects on our end. This will go in the opposite direction when inventories are depleted and general sentiment improves. Despite the slower automotive sales, we still recorded a year-on-year increase in automotive of 11% mainly driven by increased semiconductor content in cars. Overall business fundamentals remain very strong with an annual prototyping revenue growth of 8% increasing the pipeline for future production. Most of the prototyping activities are driven by global trends of electrification of cars, Industry 4.0 and healthcare. Based on this, we expect significant growth in the second half of 2019 exceeding historical quarterly revenues. It is however hard to predict when the ongoing inventory corrections will be over, which makes it difficult to provide a revenue guidance for 2019.”

Alba Morganti, CFO of X-FAB group, added: “The uncertainty as a consequence of global trade tensions has induced inventory corrections in durable goods like cars amplifying through the supply chain. X-FAB suffered the consequences of this in the last quarter of 2018 and the first quarter of 2019. For the time being, we have put a cost-saving program in place enabling us to limit the impact of the current revenue contraction. At the same time, we are preparing ourselves for the quick upswing that typically follows an inventory correction phase and are driving our expansion and improvement programs to be well set when demand from our customers, especially in the automotive market, goes up again.”

Procedures of the independent auditor

The statutory auditor, KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises CVBA, 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 included in this press release.



X-FAB Quarterly Conference Call

X-FAB's fourth quarter results will be discussed in a live conference call on Tuesday, February 12th, 2019 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/8143829>

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 Feb 12th 11.30 pm CET until Feb 19th 11.30 pm CET. The replay number will be +44 (0) 3333009785, conference ID 8143829.

The first quarter 2019 results will be communicated on April 30th, 2019.

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 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, 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 2018	Quarter ended 31 Dec 2017	Quarter ended 30 Sep 2018	Year ended 31 Dec 2018	Year ended 31 Dec 2017 audited
Revenue	137,424	154,118	151,448	587,899	581,687
Revenues in USD in %	79	83	83	81	84
Revenues in EUR in %	21	16	17	18	16
Cost of sales	-120,305	-119,826	-119,743	-483,892	-465,948
Gross Profit	17,119	34,293	31,704	104,007	115,739
<i>Gross Profit margin in %</i>	<i>12.5%</i>	<i>22.3%</i>	<i>20.9%</i>	<i>17.7%</i>	<i>19.9%</i>
Research and development expenses	-7,830	-7,130	-7,280	-31,237	-28,326
Selling expenses	-2,022	-2,230	-1,900	-8,070	-8,874
General and administrative expenses	-7,797	-8,607	-8,299	-31,499	-30,306
Rental income and expenses from investment properties	-454	514	467	1,021	2,152
Other income and other expenses	121	100	-299	-1,304	105
Operating profit	-864	16,940	14,393	32,919	50,489
Finance income	3,978	10,273	2,803	21,296	55,208
Finance costs	-4,763	-5,179	-4,750	-28,603	-26,109
Net financial result	-784	5,095	-1,947	-7,307	29,099
Profit before tax	-1,648	22,035	12,446	25,613	79,588
Income tax	-2,906	10,006	-372	-3,059	10,169
Profit for the period	-4,554	32,041	12,074	22,554	89,758
Operating profit (EBIT)	-864	16,940	14,393	32,919	50,489
Depreciation	16,787	14,200	15,292	61,492	55,625
EBITDA	15,924	31,139	29,685	94,412	106,114
<i>EBITDA margin in %</i>	<i>11.6</i>	<i>20.2</i>	<i>19.6</i>	<i>16.1</i>	<i>18.2</i>
Earnings per share at the end of period	-0,03	0,25	0,09	0,17	0,73
Weighted average number of shares	130,631,921	130,631,921	130,631,921	130,631,921	122,412,743
EUR/USD average exchange rate	1.14088	1.17748	1.16271	1.18183	1.12893

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 2018 unaudited	Year ended 31 Dec 2017 audited
ASSETS		
Non-current assets		
Property, plant, and equipment	345,626	315,856
Investment properties	9,415	9,033
Intangible assets	9,023	7,060
Non-current investments	381	558
Other non-current assets	17,684	10,809
Deferred tax assets	34,234	32,959
Total non-current assets	416,362	376,276
Current assets		
Inventories	147,150	105,847
Trade and other receivables	71,378	82,008
Other assets	29,609	28,271
Cash and cash equivalents	242,768	319,235
Total current assets	490,905	535,361
TOTAL ASSETS	907,268	911,637
EQUITY AND LIABILITIES		
Equity		
Share capital	432,745	432,745
Share premium	348,709	348,709
Retained earnings	-84,782	-106,716
Cumulative translation adjustment	-539	-591
Treasury shares	-770	-770
Total equity attributable to equity holders of the parent	695,363	673,377
Non-controlling interests	364	357
Total equity	695,726	673,734
Non-current liabilities		
Non-current loans and borrowings	72,328	106,178
Other non-current liabilities and provisions	7,446	8,872
Total non-current liabilities	79,774	115,050
Current liabilities		
Trade payables	45,889	36,684
Current loans and borrowings	31,632	37,799
Other current liabilities and provisions	54,246	48,370
Total current liabilities	131,767	122,853
TOTAL EQUITY AND LIABILITIES	907,268	911,637



Condensed Consolidated Statement of Cash Flow

in thousands of USD	Quarter ended 31 Dec 2018 unaudited	Quarter ended 31 Dec 2017 audited	Quarter Ended 30 Sep 2018 unaudited	Year ended 31 Dec 2018 unaudited	Year ended 31 Dec 2017 audited
Income before taxes	-1,648	22,035	12,446	25,613	79,588
Reconciliation of net income to cash flow arising from operating activities:	17,188	8,000	16,894	65,979	25,332
Depreciation and amortization, before effect of grants and subsidies	16,787	14,200	15,292	61,492	55,625
Recognized investment grants and subsidies netted with depreciation and amortization	-398	-868	-784	-2,820	-3,622
Interest income and expenses (net)	254	483	112	1,019	2,935
Loss/(gain) on the sale of plant, property, and equipment (net)	171	72	58	900	8
Loss/(gain) on the change in fair value of derivatives (net) and financial assets (net)	616	-470	212	4,033	-11,698
Other non-cash transactions (net)	-242	-5,417	2,004	1,354	-17,916
Changes in working capital:	-24,144	-13,071	-3,087	-41,469	-40,527
Decrease/(increase) of trade receivables	-2,350	-9,059	11,874	10,387	-2,936
Decrease/(increase) of other receivables & prepaid expenses	9,017	-2,891	-862	7,992	-14,231
Decrease/(increase) of inventories	-16,011	-2,280	-12,197	-41,304	-16,875
(Decrease)/increase of trade payables	-8,321	10,649	-3,394	-18,770	-11,281
(Decrease)/increase of other liabilities	-6,479	-9,489	1,492	227	4,797
Income taxes (paid)/received	-711	-283	-162	-1,020	-1,153
Cash Flow from operating activities	-9,314	16,681	26,091	49,102	63,240
Cash Flow from investing activities:					
Payments for property, plant, equipment & intangible assets	-22,810	-34,708	-23,116	-84,423	-102,536
Payments for investments	-668	0	-162	-829	0
Acquisition of subsidiary, net of cash acquired	0	0	0	0	0
Payments for loan investments to related parties	-43	-35	-29	-199	-131
Proceeds from loan investments related parties	37	35	46	178	146
Proceeds from sale of property, plant, and equipment	179	25	10	206	91
Interest received	903	609	840	3,156	1,901
Cash Flow used in investing activities	-22,402	-34,075	-22,411	-81,911	-100,528

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Condensed Consolidated Statement of Cash Flow – con't

in thousands of USD	Quarter ended 31 Dec 2018 unaudited	Quarter ended 31 Dec 2017 audited	Quarter Ended 30 Sep 2018 unaudited	Year ended 31 Dec 2018 unaudited	Year ended 31 Dec 2017 audited
Cash Flow from (used in) financing activities:					
Proceeds from loans and borrowings	0	0	0	0	0
Repayment of loans and borrowings	-9,466	-8,826	-8,675	-34,703	-32,008
Receipts from sale & leaseback arrangements	0	-8	0	0	0
Payments of lease installments	-618	-468	-629	-2,561	-2,377
Receipt of government grants and subsidies	0	0	0	357	375
Interest paid	-517	-656	-544	-2,195	-2,814
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	-1,000	-3,095	0	-1,000	-3,095
Distribution to non-controlling interests	0	0	0	-12	-11
Cash Flow from (used in) financing activities	-11,602	-13,055	-9,848	-40,114	219,257
Effect of changes in foreign currency exchange rates on cash	-1,912	6,296	-1,178	-3,544	33,109
Increase/(decrease) of cash and cash equivalents	-43,317	-30,449	-6,169	-72,923	181,968
Cash and cash equivalents at the beginning of the period	287,998	343,389	295,345	319,235	104,157
Cash and cash equivalents at the end of the period	242,768	319,235	287,998	242,768	319,235

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