

Regulated Information

X-FAB First Quarter 2019 Results

Intermediate declaration by the Board of Directors

Tessenderlo, Belgium – April 30th, 2019, 5.40 pm CET

Highlights for Q1 2019:

- **Revenue was USD 131.0 million, at the upper end of the guidance of USD 126-133 million, down 9% year-on-year and down 5% quarter-on-quarter**
- **EBITDA was USD 6.5 million, down 68% year-on-year and down 59% quarter-on-quarter**
EBITDA margin of 5.0%, on the upper end of 2-5% guidance
- **EBIT was USD -10.3 million, down USD 16.1 million year-on-year and down USD 9.4 million quarter-on-quarter**
- **Net loss was USD 10.4 million, down USD 23.9 million year-on-year and down USD 5.8 million quarter-on-quarter**
- **Loss per share was USD 0.08**

Outlook:

- **Q2 2019 revenue is expected in the range of USD 128-135 million with an EBITDA margin in the range of 3% to 9%. Management remains confident to return to growth in the second half of 2019.**
- **Q2 2019 guidance is based on an average exchange rate of 1.15 USD/Euro.**

Revenue breakdown per quarter:

in millions of USD	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q1 y-o-y growth
Automotive	68.1	71.8	68.5	79.3	76.6	59.7	64.1	-6%
Industrial	18.4	20.7	23.2	25.0	23.8	24.3	24.1	4%
Medical	6.6	6.9	4.8	5.6	6.3	7.3	6.8	40%
Subtotal core business	93.1	99.3	96.5	109.8	106.7	91.3	95.0	-2%
	66.4%	64.4%	67.2%	70.6%	70.5%	66.4%	72.5%	
CCC ¹	46.4	53.9	46.5	45.3	44.4	45.9	35.8	-23%
Others	0.8	1.0	0.5	0.3	0.3	0.3	0.2	n.m.
Total revenues	140.3	154.1	143.5	155.5	151.4	137.4	131.0	-9%

¹ Consumer, Communications & Computer



Business development

In the first quarter, X-FAB recorded revenues of USD 131.0 million coming in at the upper end of the guidance range of USD 126-133 million. Year-on-year, revenues decreased by 9%, quarter-on-quarter revenues went down by 5%.

Revenues in X-FAB's core business, namely automotive, industrial and medical, came in at USD 95.0 million, and despite the weak automotive market, only decreased by 2% compared to the same quarter last year. Quarter-on-quarter the core business went up by 4%.

The automotive segment recorded a year-on-year decline of 6% whereas it grew by 7% quarter-on-quarter. The increase compared to the previous quarter is mainly due to business which customers had shifted from the fourth to the first quarter in a move to optimize their stock levels. The first quarter automotive business was still soft in light of the overall inventory corrections. Prototyping revenues in the automotive segment decreased by 6% compared to the same quarter last year.

Revenues in the industrial market segment recorded a year-on-year increase of 4%; prototyping revenues for industrial applications went up by 8% year-on-year. Main contributor to this growth was the silicon carbide (SiC) business generating a high share of its revenues in the industrial market.

Medical revenues of the first quarter went up by 40% compared to the same quarter last year. Production revenues recorded a growth of 61%, whereas medical prototyping revenues increased by 3% year-on-year. Main sources of medical revenue are applications for ultrasound and x-ray equipment as well as lab-on-a-chip applications with the latter recording the strongest year-on-year growth.

Consumer, communications & computer business (CCC) decreased by 23% year-on-year, partly due to inventory corrections. Main contributors were lower sales in RF-SOI in line with the long-term plan, MEMS microphones, and end-of-life fingerprint-related products.

First quarter revenues of X-FAB France increased by 4% year-on-year. Revenues generated with the French site's legacy business are holding up well and in the first quarter had a share of 92%, which is the same level as in the first quarter of last year. The revenue realized in France based on X-FAB technologies was mainly for the CCC end market.

X-FAB group prototyping revenues came in at USD 13.7 million growing 7% year-on-year. Prototyping revenues are predominantly driven by new contracts, therefore adding up to the pipeline of new projects supporting future growth.



Operations update

In the first quarter, X-FAB progressed with its expansion and optimization projects across all sites aiming to increase output and productivity.

The silicon carbide business keeps progressing well benefiting from the overall trend towards electrification and renewable energies in the automotive and industrial segment. The driving range of electric vehicles equipped with SiC power electronics is up to 10% higher than that of electric cars with silicon power electronics. In the first quarter, X-FAB's silicon carbide business continued to pick up momentum with revenues more than quadrupling compared to the same quarter last year. Total SiC revenues came in at USD 4.7 million, thereof USD 3.3 million production revenues, a 27% increase compared to the previous quarter after two more customers moved into volume production. In the first quarter, X-FAB Texas also launched new SiC development projects for two further customers and completed the setup of the SiC epitaxy cleanroom ready for installation of equipment in the second quarter 2019.

The implementation of X-FAB's automotive technologies at X-FAB France moved forward. Automotive production is scheduled to start in the second quarter with first wafer deliveries in the second half of 2019.

In the first quarter, X-FAB capital expenditures amounted to USD 23.8 million up 15% compared to the same quarter of last year. Apart from capex that had already been initiated in 2018, capex was mainly spent for the capacity expansion project at X-FAB Dresden, the new office building at X-FAB Sarawak as well as the epi cleanroom at X-FAB Texas.

The lower research & development expenses in the first quarter are based on several factors, such as higher subsidies, less external spending as well as other cost savings.

Profitability and FX volatility

The lower utilization rate resulting from the contraction of demand increases the proportion of fixed costs, and on top of that, the decrease of work in progress and finished goods inventory by USD 9.2 million had a negative effect. Both elements lead to a year-on-year increase in cost of goods sold amounting to USD 7.2 million while revenues dropped by USD 12.5 million.

The actual exchange rate for the first quarter of 2019 was 1.14 with a corresponding EBITDA margin of 5.0%. At a constant USD/Euro exchange rate of 1.23 experienced in the first quarter of last year, the EBITDA margin in Q1 2019 would have been at 3.0%.

In order to limit the effect of the US-Dollar/Euro exchange rate fluctuations, X-FAB aims at further increasing the share of Euro-denominated sales and managed to raise it to 23% in the first quarter of 2019, coming from a low of 11% in the fourth quarter of 2016. The aim is to achieve a 25% share of Euro-denominated sales by the end of 2019.



Management comments & outlook

Commenting on the development of X-FAB's business, Rudi De Winter, CEO of X-FAB Group, said: "I am very excited about the business development and the design wins in our core markets. The electrification of cars will be the main driver for the silicon carbide business, and also our high voltage SOI technology platform is very well in demand because of its built-in robustness and the capability to handle high voltages required for electric vehicles. Our customers tell us that the forecasts are strong and business should go up. However, visibility in the short term remains weak. With reduced turnaround times in our factories, customers tend to postpone orders and further reduce inventories in the supply chain. I expect that this could reverse suddenly and therefore we continue to work on productivity improvements in our factories to be 100% prepared."

X-FAB Quarterly Conference Call

X-FAB's first quarter results will be discussed in a live conference call on Tuesday, April 30th, 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/2548246>

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 April 30th 11.30 pm CET until May 7th 11.30 pm CET. The replay number will be +44 (0) 3333009785, conference ID 2548246.

The second quarter 2019 results will be communicated on July 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.

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 Mar 2019 unaudited	Quarter ended 31 Mar 2018 unaudited	Quarter ended 31 Dec 2018 unaudited	Year ended 31 Dec 2018 audited
Revenue	131,005	143,530	137,424	587,899
Revenues in USD in %	76	81	79	81
Revenues in EUR in %	23	19	21	18
Cost of sales	-126,477	-119,228	-120,305	-483,892
Gross Profit	4,528	24,302	17,119	104,007
<i>Gross Profit margin in %</i>	<i>3.5%</i>	<i>16.9%</i>	<i>12.5%</i>	<i>17.7%</i>
Research and development expenses	-5,407	-8,191	-7,830	-31,237
Selling expenses	-1,992	-2,206	-2,022	-8,070
General and administrative expenses	-7,785	-7,964	-7,797	-31,499
Rental income and expenses from investment properties	174	570	-454	1,021
Other income and other expenses	220	-665	121	-1,304
Operating profit	-10,262	5,846	-864	32,919
Finance income	3,556	14,805	3,978	21,296
Finance costs	-2,622	-8,971	-4,763	-28,603
Net financial result	934	5,835	-784	-7,307
Profit before tax	-9,329	11,681	-1,648	25,613
Income tax	-1,036	1,871	-2,906	-3,059
Profit for the period	-10,365	13,552	-4,554	22,554
Operating profit (EBIT)	-10,262	5,846	-864	32,919
Depreciation	16,784	14,325	16,787	61,492
EBITDA	6,522	20,172	15,924	94,412
<i>EBITDA margin in %</i>	<i>5.0%</i>	<i>14.1%</i>	<i>11.6%</i>	<i>16.1%</i>
Earnings per share at the end of period	-0.08	0.10	-0.03	0.17
Weighted average number of shares	130,631,921	130,631,921	130,631,921	130,631,921
EUR/USD average exchange rate	1.13635	1.23032	1.14088	1.18183

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	Quarter ended 31 Mar 2019 unaudited	Quarter ended 31 Mar 2018 unaudited	Year ended 31 Dec 2018 audited
ASSETS			
Non-current assets			
Property, plant, and equipment	368,974	319,598	345,626
Investment properties	9,266	8,925	9,415
Intangible assets	8,496	7,725	9,023
Non-current investments	524	641	381
Other non-current assets	23,594	14,096	20,594
Deferred tax assets	34,310	35,490	34,234
Total non-current assets	445,164	386,476	419,272
Current assets			
Inventories	151,280	113,992	147,150
Trade and other receivables	58,054	80,497	71,378
Other assets	29,179	33,124	26,699
Cash and cash equivalents	207,276	306,865	242,768
Total current assets	445,789	534,478	487,995
TOTAL ASSETS	890,953	920,954	907,268
EQUITY AND LIABILITIES			
Equity			
Share capital	432,745	432,745	432,745
Share premium	348,709	348,709	348,709
Retained earnings	-95,159	-93,155	-84,782
Cumulative translation adjustment	-473	-786	-539
Treasury shares	-770	-770	-770
Total equity attributable to equity holders of the parent	685,052	686,743	695,363
Non-controlling interests	364	336	364
Total equity	685,417	687,079	695,726
Non-current liabilities			
Non-current loans and borrowings	88,078	99,868	72,328
Other non-current liabilities and provisions	7,441	8,944	7,446
Total non-current liabilities	95,519	108,812	79,774
Current liabilities			
Trade payables	31,259	29,123	45,889
Current loans and borrowings	27,785	38,502	31,632
Other current liabilities and provisions	50,974	57,437	54,246
Total current liabilities	110,017	125,063	131,767
TOTAL EQUITY AND LIABILITIES	890,953	920,954	907,268



Condensed Consolidated Statement of Cash Flow

in thousands of USD	Quarter ended 31 Mar 2019 unaudited	Quarter ended 31 Mar 2018 unaudited	Quarter ended 31 Dec 2018 unaudited	Year ended 31 Dec 2018 audited
Income before taxes	-9,329	11,681	-1,648	25,613
Reconciliation of net income to cash flow arising from operating activities:	13,833	9,403	17,188	65,979
Depreciation and amortization, before effect of grants and subsidies	16,784	14,325	16,787	61,492
Recognized investment grants and subsidies netted with depreciation and amortization	-745	-837	-398	-2,820
Interest income and expenses (net)	419	593	254	1,019
Loss/(gain) on the sale of plant, property, and equipment (net)	0	673	171	900
Loss/(gain) on the change in fair value of derivatives (net) and financial assets (net)	-143	1,099	616	4,033
Other non-cash transactions (net)	-2,482	-6,451	-242	1,354
Changes in working capital:	-7,943	-11,071	-24,144	-41,469
Decrease/(increase) of trade receivables	13,406	2,030	-2,350	10,387
Decrease/(increase) of other receivables & prepaid expenses	-6,082	-8,776	9,017	7,992
Decrease/(increase) of inventories	-4,129	-7,580	-16,011	-41,304
(Decrease)/increase of trade payables	-7,476	-4,814	-8,321	-18,770
(Decrease)/increase of other liabilities	-3,662	8,069	-6,479	227
Income taxes (paid)/received	-92	-62	-711	-1,020
Cash Flow from operating activities	-3,532	9,951	-9,314	49,102
Cash Flow from investing activities:				
Payments for property, plant, equipment & intangible assets	-23,815	-20,767	-23,327	-85,102
Payments for investments	-175	0	-150	-150
Acquisition of subsidiary, net of cash acquired	0	0	0	0
Payments for loan investments to related parties	-101	-66	-43	-199
Proceeds from loan investments related parties	94	51	37	178
Proceeds from sale of property, plant, and equipment	0	15	179	206
Interest received	663	534	903	3,156
Cash Flow used in investing activities	-23,334	-20,232	-22,402	-81,911

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Condensed Consolidated Statement of Cash Flow – con't

in thousands of USD	Quarter ended 31 Mar 2019 unaudited	Quarter ended 31 Mar 2018 unaudited	Quarter ended 31 Dec 2018 unaudited	Year ended 31 Dec 2018 audited
Cash Flow from (used in) financing activities:				
Proceeds from loans and borrowings	0	0	0	0
Repayment of loans and borrowings	-7,500	-8,747	-9,466	-34,703
Receipts from sale & leaseback arrangements	0	0	0	0
Payments of lease installments	-618	-702	-618	-2,561
Receipt of government grants and subsidies	0	0	0	357
Interest paid	-409	-619	-517	-2,195
Gross proceeds from capital increase	0	0	0	0
Direct cost related to capital increase	0	0	0	0
Payment of preference dividend			-1,000	-1,000
Distribution to non-controlling interests	-11	-12	0	-12
Cash Flow from (used in) financing activities	-8,539	-10,081	-11,602	-40,114
Effect of changes in foreign currency exchange rates on cash	-88	7,991	-1,912	-3,544
Increase/(decrease) of cash and cash equivalents	-35,405	-20,362	-43,317	-72,923
Cash and cash equivalents at the beginning of the period	242,768	319,235	287,998	319,235
Cash and cash equivalents at the end of the period	207,276	306,865	242,768	242,768

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