

Regulated Information

X-FAB Second Quarter 2020 Results

Intermediate declaration by the Board of Directors

Tessenderlo, Belgium – August 27, 2020, 05.40 p.m. CET

Highlights Q2 2020:

- Revenue was USD 118.8 million, within the guidance of USD 118-128 million, down 10% year-on-year (YoY) and down 6% quarter-on-quarter (QoQ)
- EBITDA was USD 15.9 million, up 35% YoY and down 9% QoQ
- EBITDA margin of 13.4% was well above the 5-9% guidance
- EBIT was USD -2.8 million, up USD 2.8 million YoY and down USD 1.3 million QoQ
- Net loss was USD -5.9 million, up USD 2.2 million YoY and up USD 0.8 million QoQ
- Bookings were USD 99.5 million, down 23% YoY and 33% QoQ

Outlook:

- Q3 2020 revenue is expected in the range of USD 91-97 million with an EBITDA margin in the range of 0-4%.
- The guidance for Q3 2020 is based on an average exchange rate of 1.18 USD/Euro.

Revenue breakdown per quarter:

in millions of USD	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q2 y-o-y growth
Automotive	76.6	59.7	64.1	62.5	60.5	56.7	68.3	61.6	-1%
Industrial	23.8	24.3	24.1	23.3	24.4	20.1	22.1	23.9	2%
Medical	6.3	7.3	6.8	6.3	8.8	6.3	6.5	7.3	15%
Subtotal core business	106.7	91.3	95.0	92.1	93.7	83.2	96.9	92.7	1%
	70.5%	66.4%	72.5%	70.0%	71.8%	73.3%	76.4%	78.1%	
CCC ¹	44.4	45.9	35.8	39.1	36.7	30.1	29.7	25.9	-34%
Others	0.3	0.3	0.2	0.3	0.0	0.1	0.3	0.2	
Total revenues	151.4	137.4	131.0	131.6	130.5	113.4	126.9	118.8	-10%

¹ Consumer, Communications & Computer

in millions of USD	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q2 y-o-y growth
CMOS	138.7	122.0	118.2	114.4	114.4	98.1	112.8	103.4	-10%
MEMS	9.5	10.4	8.1	10.7	9.5	9.9	9.6	10.4	-3%
Silicon carbide	3.3	5.0	4.7	6.4	6.5	5.5	4.5	5.0	-22%
Total revenues	151.4	137.4	131.0	131.6	130.5	113.4	126.9	118.8	-10%



Business development

X-FAB's second quarter revenues came in at USD 118.8 million, within the guidance range of USD 118-128 million. Compared to the same quarter last year, revenues declined 10%, quarter-on-quarter they went down 6%.

While the year had started positively, the effects of the COVID-19 pandemic impacted X-FAB's business in the second quarter with a decline in revenues of the automotive as well as the consumer, communications & computer (CCC) business, mainly due to customers postponing deliveries.

Quarterly revenues in X-FAB's core business, namely automotive, industrial and medical, amounted to USD 92.7 million, up 1% year-on-year and down 4% quarter-on-quarter.

In the second quarter, automotive revenues slightly decreased compared to the same quarter last year. Quarter-on-quarter, it was a decline of 10%, mainly related to customers having deferred deliveries due to a weaker demand on their end. Year-on-year, automotive production revenues excluding prototyping were flat, quarterly prototyping revenues went down 29%. The latter is considered to be exceptional and partially due to a strong comparable one year ago.

Second quarter revenues in the industrial market grew by 2% year-on-year and 8% quarter-on-quarter. Compared to the same quarter last year, industrial production revenues excluding prototyping went down 3%, while prototyping revenues increased by 18%.

X-FAB's medical business of the second quarter recorded a growth of 15% year-on-year and of 12% quarter-on-quarter. This positive performance was driven by strong prototyping revenues, up 92% compared to the same quarter last year. Production revenues decreased by 14%, which was mainly due to the ongoing transition to a next generation product at a major medical customer. The demand for certain medical applications such as cardiovascular devices also suffered from the COVID-19 pandemic. This is a temporary effect and demand should soon return to a normal level. Overall, the growth of X-FAB's medical business continued to be driven by lab-on-a-chip applications due to the growing need for fast and reliable testing capabilities.

In the second quarter, the CCC business was down 34% year-on-year and 13% compared to the previous quarter. Production revenues excluding prototyping were down 27% compared to the same quarter last year. This was caused by lower shipments after weak order intake for mobile applications in the first quarter and the expected gradual decrease of the legacy business manufactured at X-FAB France. CCC prototyping revenues recorded a year-on-year decline of 64%, which mainly relates to a higher comparative quarter associated with an exceptional IP sale in the second quarter of 2019.

In the second quarter, the share of the French site's revenues based on X-FAB technologies was 17%.



X-FAB group's prototyping revenues during the second quarter were USD 15.5 million. This is an 11% increase compared to the previous quarter. Prototyping revenues were flat year-on-year excluding the one-off IP sale of USD 3.0 million one year ago.

Following strong first quarter bookings, the second quarter was impacted by the general economic slowdown due to the COVID-19 pandemic as customers returned to a cautious order behavior. In the second quarter, bookings came in at USD 99.5 million, which is a 23% decline year-on-year and a fall of 33% quarter-on-quarter. The drop in bookings was predominantly driven by clients' inventory corrections in the automotive segment.

Operations update

In light of the COVID-19 pandemic, it remained a top priority to ensure the health and well-being of X-FAB's employees with a variety of safety measures implemented at all locations, ultimately contributing positively to the continuity of production. There were no pandemic-related disruptions in the second quarter.

After X-FAB had stopped all IT systems and manufacturing lines in response to a cyber attack on July 5, 2020, all sites have now resumed production. As a result of the early intervention, the good collaboration with external cyber security experts and the outstanding performance of all X-FAB teams involved, it was possible to prevent further damage and to keep the duration of the disruption to a minimum.

In response to the production stop after the attack, X-FAB brought forward the fab shutdowns initially planned to take place later in the third quarter, as part of the ongoing cost-saving initiative. With the utilization of X-FAB's facilities being at a low level due to the second quarter drop in bookings, X-FAB does not expect third quarter revenues to be negatively impacted by the cyber attack.

The silicon carbide (SiC) activities continue to progress well. In the second quarter, X-FAB added another customer bringing the total to 21. SiC revenues totaled USD 5.0 million, down 22% year-on-year and up 11% quarter-on-quarter. The headwinds created by the COVID-19 pandemic are reflected in the 59% decline of SiC production revenues compared to the same quarter last year whereas prototyping revenues recorded a growth of 30%.

After the internal qualification of the in-house SiC epitaxy line was successfully completed in the first quarter, X-FAB has made good progress in the qualification process with various customers. This will contribute to the planned ramp of the SiC epitaxy production volumes.

Capital expenditures in the second quarter were reduced substantially to USD 7.5 million, down 64% compared to the same quarter last year.



Financial update

While second quarter revenues were at the lower end of the guidance, X-FAB achieved a quarterly EBITDA of USD 15.9 million. This corresponds to an EBITDA margin of 13.4%, well above the guided 5-9%, and shows that X-FAB's cost-saving initiative started to pay off. In response to the anticipated drop in demand due to the COVID-19 pandemic, X-FAB put a variety of measures in place to lower costs related to staff, travel, electricity and raw materials. On top of this, inventory of unfinished and finished goods increased by USD 1.0 million in the second quarter and this also contributed positively to profitability.

At the end of the second quarter, cash and cash equivalents totaled USD 191.6 million, recording a growth of 15% versus the end of the previous quarter. This was driven by the positive EBITDA development, low capital expenditures, reduced working capital as well as some one-off effects related to support measures used that are offered by governments in light of the COVID-19 pandemic.

X-FAB continued its efforts to increase the share of Euro-denominated sales in order to limit the impact of exchange rate fluctuations on profitability. In the second quarter, the share of Euro-denominated sales amounted to 32%, coming from a low of 11% in the fourth quarter of 2016 and contributing to a more natural hedging of the business.

The actual US-Dollar/Euro exchange rate for the second quarter of 2020 was 1.10 leading to an EBITDA margin of 13.4%. At a constant exchange rate of 1.12, as experienced in the second quarter of last year, the EBITDA margin would have been 13.1%.

Organizational change

Effective July 1, 2020, Jörg Doblaski was appointed Chief Technology Officer (CTO) of X-FAB group, therefore joining the executive management team of the company. The previous CTO, Dr. Jens Kosch, had decided to step down from this role but will continue to serve as a Technology Fellow.

Management comments & outlook

Rudi De Winter, CEO of X-FAB Group, said: "As anticipated, X-FAB's business of the second quarter was impacted by the effects of the COVID-19 pandemic on the global economy. We have seen customers returning to a very cautious order behavior and postponing delivery dates of existing orders. This is reflected in the lower quarterly revenues as well as the drop in bookings. Under these circumstances, I am very happy with the good financial performance in the second quarter with an EBITDA well above the guidance. We managed to drive costs down significantly thanks to the consequent implementation of our cost-saving program throughout the entire company. In the short term, visibility remains low and we will continue with our cost-saving initiatives. On the other hand, I am quite excited about the increasing amount of opportunities for the specialty processes we provide. This includes our silicon carbide and high voltage CMOS offering supporting the electrification of cars and many other things around us, the lab-on-a-chip applications for fast and reliable medical testing as well as X-FAB's RF SOI technology supporting the transition to 5G."



Procedures of the independent auditor

The statutory auditor, KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises CVBA, represented by Herwig Carmans, has confirmed that their review procedures, which have been substantially completed, have not revealed any significant matters requiring adjustment of the condensed consolidated financial information included in this press release as of and for the six months ended June 30, 2020.

X-FAB Quarterly Conference Call

X-FAB's second quarter results will be discussed in a live conference call on Thursday, August 27, 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/2070378>

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 August 27, 2020, 11.30 p.m. CET until September 3, 2020, 11.30 p.m. CET. The replay number will be +44 (0) 3333009785, conference ID 2070378.

The fourth quarter 2020 results will be communicated on October 27, 2020.

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.

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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 30 Jun 2020 unaudited	Quarter ended 30 Jun 2019 unaudited	Quarter ended 31 Mar 2020 unaudited	Half-year ended 30 Jun 2020 unaudited	Half-year ended 30 Jun 2019 unaudited
Revenue	118,756	131,560	126,894	245,650	262,565
Revenues in USD in %	67	75	72	69	76
Revenues in EUR in %	32	24	28	30	24
Cost of sales	-107,942	-115,988	-112,419	-220,361	-242,466
Gross Profit	10,814	15,571	14,475	25,289	20,100
<i>Gross Profit margin in %</i>	<i>9.1</i>	<i>11.8</i>	<i>11.4</i>	<i>10.3</i>	<i>7.7</i>
Research and development expenses	-5,891	-8,221	-5,900	-11,791	-13,628
Selling expenses	-2,118	-2,011	-2,012	-4,130	-4,003
General and administrative expenses	-6,992	-7,778	-7,656	-14,648	-15,563
Rental income and expenses from investment properties	183	-361	40	223	-187
Other income and other expenses	1,210	-2,797	-433	776	-2,577
Operating profit	-2,794	-5,596	-1,487	-4,281	-15,858
Finance income	3,410	3,405	3,499	6,909	6,961
Finance costs	-5,260	-4,964	-8,435	-13,695	-7,586
Net financial result	-1,850	-1,559	-4,936	-6,786	-625
Profit before tax	-4,644	-7,155	-6,423	-11,067	-16,483
Income tax	-1,243	-926	-302	-1,544	-1,962
Profit for the period	-5,887	-8,081	-6,724	-12,611	-18,445
Operating profit (EBIT)	-2,794	-5,596	-1,487	-4,281	-15,858
Depreciation	18,657	17,365	18,831	37,488	34,149
EBITDA	15,863	11,769	17,344	33,207	18,291
<i>EBITDA margin in %</i>	<i>13.4</i>	<i>8.9</i>	<i>13.7</i>	<i>13.5</i>	<i>7.0</i>
Earnings per share at the end of period	-0.05	-0.06	-0.05	-0.10	-0.14
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	1.10006	1.12324	1.10275	1.10140	1.12979

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 30 Jun 2020 unaudited	Quarter ended 30 Jun 2019 unaudited	Year ended 31 Dec 2019 audited
ASSETS			
Non-current assets			
Property, plant, and equipment	350,156	373,832	368,754
Investment properties	8,843	9,362	9,128
Intangible assets	4,988	8,462	8,363
Non-current investments	0	706	736
Other non-current assets	7,729	26,692	27,568
Deferred tax assets	33,248	34,328	33,922
Total non-current assets	404,964	453,381	448,471
Current assets			
Inventories	165,268	157,959	154,649
Trade and other receivables	48,442	62,870	55,636
Other assets	35,106	31,057	34,429
Cash and cash equivalents	191,636	171,232	173,211
Total current assets	440,451	423,118	417,925
TOTAL ASSETS	845,415	876,499	866,397
EQUITY AND LIABILITIES			
Equity			
Share capital	432,745	432,745	432,745
Share premium	348,709	348,709	348,709
Retained earnings	-146,823	-103,979	-133,835
Cumulative translation adjustment	-582	-483	-445
Treasury shares	-770	-770	-770
Total equity attributable to equity holders of the parent	633,279	676,222	646,403
Non-controlling interests	365	363	377
Total equity	633,644	676,585	646,781
Non-current liabilities			
Non-current loans and borrowings	82,753	76,417	92,389
Other non-current liabilities and provisions	7,407	7,441	7,407
Total non-current liabilities	90,159	83,858	99,795
Current liabilities			
Trade payables	27,778	28,778	38,327
Current loans and borrowings	30,875	32,456	26,658
Other current liabilities and provisions	62,958	54,822	54,835
Total current liabilities	121,611	116,056	119,821
TOTAL EQUITY AND LIABILITIES	845,415	876,499	866,397



Condensed Consolidated Statement of Cash Flow

in thousands of USD	Quarter ended 30 Jun 2020 unaudited	Quarter ended 30 Jun 2019 unaudited	Quarter ended 31 Mar 2020 unaudited	Half-year ended 30 Jun 2020 unaudited	Half-year ended 30 Jun 2019 unaudited
Income before taxes	-4,644	-7,155	-6,423	-11,067	-16,483
Reconciliation of net income to cash flow arising from operating activities:	18,427	19,807	26,222	44,649	33,639
Depreciation and amortization, before effect of grants and subsidies	18,657	17,365	18,831	37,488	34,149
Recognized investment grants and subsidies netted with depreciation and amortization	-851	-742	-901	-1,752	-1,487
Interest income and expenses (net)	1,114	424	518	1,632	842
Loss/(gain) on the sale of plant, property, and equipment (net)	-34	6	-281	-315	6
Loss/(gain) on the change in fair value of derivatives (net) and financial assets (net)	0	-182	-420	-420	-325
Other non-cash transactions (net)	-458	2,936	8,474	8,016	454
Changes in working capital:	16,687	-16,965	-5,655	11,032	-24,908
Decrease/(increase) of trade receivables	15,547	-4,666	-8,930	6,617	8,740
Decrease/(increase) of other receivables & prepaid expenses	3,107	-5,010	12,170	15,276	-11,093
Decrease/(increase) of inventories	-4,984	-6,679	-5,635	-10,620	-10,808
(Decrease)/increase of trade payables	-4,950	-3,387	-3,549	-8,499	-10,863
(Decrease)/increase of other liabilities	7,967	2,777	290	8,257	-885
Income taxes (paid)/received	-92	-417	-628	-720	-510
Cash Flow from operating activities	30,379	-4,730	13,516	43,895	-8,262
Cash Flow from investing activities:					
Payments for property, plant, equipment & intangible assets	-7,492	-20,942	-9,601	-17,094	-44,756
Payments for investments	0	-175	0	0	-350
Proceeds from sale of financial assets	0	0	1,156	1,156	0
Acquisition of subsidiary, net of cash acquired	0	0	0	0	0
Payments for loan investments to related parties	-42	-60	-96	-138	-161
Proceeds from loan investments related parties	51	40	62	113	133
Proceeds from sale of property, plant, and equipment	40	40	278	318	40
Interest received	475	624	494	970	1,287
Cash Flow used in investing activities	-6,967	-20,473	-7,708	-14,674	-43,807

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Condensed Consolidated Statement of Cash Flow – con't

in thousands of USD	Quarter ended 30 Jun 2020 unaudited	Quarter ended 30 Jun 2019 unaudited	Quarter ended 31 Mar 2020 unaudited	Half-year ended 30 Jun 2020 unaudited	Half-year ended 30 Jun 2019 unaudited
Cash Flow from (used in) financing activities:					
Proceeds from loans and borrowings	8,813	0	0	8,813	0
Repayment of loans and borrowings	-6,547	-7,083	-6,391	-12,938	-14,583
Receipts from sale & leaseback arrangements	0	0	0	0	0
Payments of lease installments	-1,453	-2,156	-1,358	-2,811	-2,774
Receipt of government grants and subsidies	0	0	696	696	0
Interest paid	-260	-401	-182	-442	-810
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	0	-12	-12	-11
Cash Flow from (used in) financing activities	553	-9,641	-7,246	-6,693	-18,180
Effect of changes in foreign currency exchange rates on cash	1,084	-1,200	-5,186	-4,102	-1,288
Increase/(decrease) of cash and cash equivalents	23,965	-34,844	-1,438	22,527	-70,248
Cash and cash equivalents at the beginning of the period	166,587	207,276	173,211	173,211	242,768
Cash and cash equivalents at the end of the period	191,636	171,232	166,587	191,636	171,232

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