



Regulated Information

X-FAB Third Quarter 2020 Results

Intermediate declaration by the Board of Directors

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

Highlights Q3 2020:

- Revenue was USD 96.1 million, within the guidance of USD 91-97 million, down 26% year-on-year (YoY) and down 19% quarter-on-quarter (QoQ)
- Bookings were USD 111.6 million, down 8% YoY and up 12% QoQ, recording a substantial increase in September
- EBITDA margin of 4.9% above the 0-4% guidance
- EBITDA was USD 4.7 million, down USD 7.9 million YoY and down USD 11.1 million QoQ
- EBIT was USD -13.9 million, down USD 7.8 million YoY and down USD 11.2 million QoQ
- Net loss was USD -12.9 million, down USD 4.7 million YoY and down USD 7.0 million QoQ

Outlook:

- Q4 2020 revenue is expected to rebound markedly in the range of USD 120-127 million with an EBITDA margin in the range of 10-14%.
- The guidance for Q4 2020 is based on an average exchange rate of 1.18 USD/Euro.

Revenue breakdown per quarter:

in millions of USD	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q3 y-o-y growth
Automotive	59.7	64.1	62.5	60.5	56.7	68.3	61.6	40.8	-33%
Industrial	24.3	24.1	23.3	24.4	20.1	22.1	23.9	23.9	-2%
Medical	7.3	6.8	6.3	8.8	6.3	6.5	7.3	7.7	-12%
Subtotal core business	91.3	95.0	92.1	93.7	83.2	96.9	92.7	72.3	-23%
	66.4%	72.5%	70.0%	71.8%	73.3%	76.4%	78.1%	75.2%	
CCC ¹	45.9	35.8	39.1	36.7	30.1	29.7	25.9	23.7	-36%
Others	0.3	0.2	0.3	0.0	0.1	0.3	0.2	0.1	
Total revenues	137.4	131.0	131.6	130.5	113.4	126.9	118.8	96.1	-26%

¹ Consumer, Communications & Computer

in millions of USD	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q3 y-o-y growth
CMOS	122.0	118.2	114.4	114.4	98.1	112.8	103.4	81.1	-29%
MEMS	10.4	8.1	10.7	9.5	9.9	9.6	10.4	9.8	3%
Silicon carbide	5.0	4.7	6.4	6.5	5.5	4.5	5.0	5.2	-20%
Total revenues	137.4	131.0	131.6	130.5	113.4	126.9	118.8	96.1	-26%



Business development

As anticipated, the third quarter was marked by weaker sales. Quarterly revenues came in at USD 96.1 million, at the upper end of the guided USD 91-97 million. Revenues were down 26% year-on-year and 19% quarter-on-quarter. Despite this fall in revenue and as a result of the company's ongoing cost-saving initiatives, X-FAB has reached an EBITDA margin of 4.9% exceeding its 0-4% guidance. Bookings have strongly picked up since the start of September. This is a positive sign for business development going forward, underpinned by a solid return to growth in the fourth quarter with revenue guidance in the range of USD 120-127 million.

Quarterly revenues in X-FAB's core business, namely automotive, industrial and medical, amounted to USD 72.3 million, down 23% year-on-year and down 22% quarter-on-quarter.

In the third quarter, the Automotive as well as the Consumer, Communications & Computer (CCC) businesses were the main contributors to the strong decline, which was in line with expectations and primarily caused by the impact of the COVID-19 pandemic on the global economy.

Automotive revenues for the third quarter decreased 33% compared to the same quarter last year and were down 34% quarter-on-quarter due to a drop in automotive bookings in the previous quarter, which was related to client's inventory corrections. Production revenues (which excludes prototyping) decreased year-on-year (-33%) as well as quarter-on-quarter (-36%). Automotive prototyping revenues declined 27% year-on-year due to an exceptionally strong quarter last year but were up 13% quarter-on-quarter.

Industrial revenues for the third quarter were down 2% year-on-year and flat quarter-on-quarter, both for production and prototyping. Production revenues decreased 7% year-on-year, while prototyping revenues increased 12%.

X-FAB's medical revenues of the third quarter declined 12% year-on-year and increased 6% quarter-on-quarter. The decline is mainly caused by a 27% year-on-year drop in production revenues due to an exceptionally high quarter last year. Quarter-on-quarter, medical production revenues increased by 6%. Medical prototyping revenues have been growing steadily over the past quarters and, in the third quarter, recorded a 15% growth year-on-year and 5% increase compared to the previous quarter.

In the third quarter, X-FAB's CCC business decreased 36% year-on-year and 8% quarter-on-quarter. Prototyping revenues decreased 39% compared to the same quarter last year and slightly increased quarter-on-quarter. CCC production revenues were down 35% year-on-year and down 10% quarter-on-quarter. The decline was not only driven by the ongoing gradual decrease of the legacy business at X-FAB France but also, to some extent, by the impact of the general economic slowdown related to COVID-19.

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



Prototyping revenues of the third quarter totaled at USD 16.0 million, down 7% year-on-year and up 3% quarter-on-quarter.

While bookings remained relatively weak over the first two months of the third quarter, there was a strong pick up towards the end of the reporting period with half of the quarterly order entries booked in September, mainly coming from automotive customers. Overall, bookings were at USD 111.6 million, up 12% quarter-on-quarter and down 8% year-on-year.

Operations update

The various safety measures implemented at all locations in response to the COVID-19 pandemic helped to ensure the health and well-being of X-FAB's employees in the third quarter and will be pursued going forward contributing to the continuity of production.

In response to the low utilization levels and as part of X-FAB's cost-saving initiatives, X-FAB's manufacturing facilities were temporarily shut down in July. While this was initially planned to take place later in the third quarter, X-FAB brought those fab shutdowns forward, following a cyber attack at the beginning of July. After all the systems were successfully restored and production was resumed, all sites were in position to execute all orders received and catch up on any delays. At the same time, X-FAB has also taken measures to upgrade its cyber security across the Group.

The silicon carbide (SiC) business recorded quarterly revenues of USD 5.2 million, which is a 20% decline year-on-year, essentially due to the impact from the COVID-19 slowdown on the global economy but also in light of a strong comparative quarter. This is mainly reflected in the fall of SiC production revenues down 56% compared to the same quarter last year, whereas the SiC prototyping revenues recorded a growth of 42% year-on-year. The pipeline of new projects remains strong with existing customers constantly expanding their portfolio of offerings. In addition, X-FAB won a new customer for its SiC business bringing the total up to 22. The process of qualifying X-FAB's in-house SiC epitaxy line with various customers keeps progressing well with additional customers having initiated this process during the quarter.

Quarterly capital expenditures amounted to USD 6.8 million, down 64% year-on-year.

Financial update

Despite the decline in quarterly revenues, the EBITDA of the third quarter amounted to USD 4.7 million with an EBITDA margin of 4.9%, exceeding the guided 0-4%. This is mainly attributable to X-FAB's ongoing cost-saving initiatives with a variety of cost reduction measures related to staff, travel, electricity and raw materials. The use of short-time work schemes in France and Germany has been a major contributor to savings during the quarter.

The inventory of unfinished and finished goods decreased by USD 0.5 million, which had a negative impact on profitability for the third quarter.



Cash and cash equivalents at the end of the quarter were at USD 179.7 million, down 7% versus the end of the previous quarter, which is primarily due to the drop in revenues.

X-FAB is well on track to achieve a natural currency hedging of its business thanks to the continued efforts to increase the share of Euro-denominated sales. In the third quarter, the share of Euro-denominated sales reached 35%. X-FAB aims to further increase the Euro share of sales to limit the impact of exchange rate fluctuations on its profitability.

The actual US-Dollar/Euro exchange rate for the third quarter of 2020 was 1.17 leading to an EBITDA margin of 4.9%. At a constant exchange rate of 1.11, as experienced in the third quarter of last year, the EBITDA margin would have been 5.8%.

Management comments & outlook

Rudi De Winter, CEO of X-FAB Group, said: "While in line with expectations, the third quarter was exceptionally weak in terms of revenues; however, I am confident that we have clearly passed the lowest point. The continued efforts to improve the cost structure across the group resulted in a better than planned EBITDA and is at a satisfactory level going forward. While uncertainties remain high, in particular due to the COVID-19 pandemic and its impact on the global economy, we do see strong positive signs. Bookings have been recovering significantly since September, mainly attributable to the automotive business indicating that customers in this segment are returning to normal order patterns. While remaining cautious going forward, it remains our top priority to ensure that we meet the supply of our customers and the increased demand of the market. Besides the general recovery of our main market automotive, I am very excited about the opportunities in the medical segment driven by the point-of-care diagnostics as well as lab-on-a-chip applications, and also the silicon carbide business to support the ongoing electrification in cars and other equipment."



X-FAB Quarterly Conference Call

X-FAB's third quarter results will be discussed in a live conference call on Tuesday, October 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/8513379>.

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 October 27, 2020, 11.30 p.m. CET until November 3, 2020, 11.30 p.m. CET. The replay number will be +44 (0) 3333009785, conference ID 8513379.

The fourth quarter 2020 results will be communicated on February 11, 2021.

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 Sep 2020 unaudited	Quarter ended 30 Sep 2019 unaudited	Quarter ended 30 Jun 2020 unaudited	Nine months ended 30 Sep 2020 unaudited	Nine months ended 30 Sep 2019 unaudited
Revenue	96,085	130,462	118,756	341,735	393,027
Revenues in USD in %	65	73	67	68	75
Revenues in EUR in %	35	27	32	32	25
Cost of sales	-97,233	-118,960	-107,942	-317,594	-361,425
Gross Profit	-1,148	11,503	10,814	24,141	31,602
<i>Gross Profit margin in %</i>	<i>-2.0</i>	<i>8.8</i>	<i>9.1</i>	<i>6.8</i>	<i>8.0</i>
Research and development expenses	-5,462	-8,055	-5,891	-17,253	-21,683
Selling expenses	-1,798	-2,013	-2,118	-5,928	-6,016
General and administrative expenses	-6,897	-7,248	-6,992	-21,544	-22,811
Rental income and expenses from investment properties	765	-110	183	988	-297
Other income and other expenses	583	-199	1,210	1,359	-2,775
Operating profit	-13,957	-6,122	-2,794	-18,238	-21,980
Finance income	4,262	3,145	3,410	11,171	10,106
Finance costs	-3,240	-3,851	-5,260	-16,935	-11,437
Net financial result	1,022	-706	-1,850	-5,764	-1,331
Profit before tax	-12,935	-6,828	-4,644	-24,002	-23,311
Income tax	5	-1,361	-1,243	-1,540	-3,323
Profit for the period	-12,930	-8,189	-5,887	-25,541	-26,634
Operating profit (EBIT)	-13,957	-6,122	-2,794	-18,238	-21,980
Depreciation	18,700	18,807	18,657	56,188	52,956
EBITDA	4,743	12,685	15,863	37,950	30,976
<i>EBITDA margin in %</i>	<i>4.9</i>	<i>9.7</i>	<i>13.4</i>	<i>11.1</i>	<i>7.9</i>
Earnings per share at the end of period	-0,10	-0,06	-0,05	-0,20	-0,20
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	1.16732	1.11236	1.10006	1.12418	1.12398

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 Sep 2020 unaudited	Quarter ended 30 Sep 2019 unaudited	Year ended 31 Dec 2019 audited
ASSETS			
Non-current assets			
Property, plant, and equipment	337,130	369,115	368,754
Investment properties	8,701	9,231	9,128
Intangible assets	4,747	8,355	8,363
Non-current investments	0	741	736
Other non-current assets	4,712	29,327	27,568
Deferred tax assets	33,103	34,397	33,922
Total non-current assets	388,393	451,166	448,471
Current assets			
Inventories	160,088	153,026	154,649
Trade and other receivables	51,274	63,670	55,636
Other assets	35,285	23,475	34,429
Cash and cash equivalents	179,662	189,250	173,211
Total current assets	426,309	429,421	417,925
TOTAL ASSETS	814,702	880,587	866,397
EQUITY AND LIABILITIES			
Equity			
Share capital	432,745	432,745	432,745
Share premium	348,709	348,709	348,709
Retained earnings	-159,743	-112,183	-133,835
Cumulative translation adjustment	-715	-496	-445
Treasury shares	-770	-770	-770
Total equity attributable to equity holders of the parent	620,225	668,005	646,403
Non-controlling interests	356	377	377
Total equity	620,581	668,382	646,781
Non-current liabilities			
Non-current loans and borrowings	76,860	93,381	92,389
Other non-current liabilities and provisions	7,409	7,435	7,407
Total non-current liabilities	84,269	100,816	99,795
Current liabilities			
Trade payables	20,376	25,929	38,327
Current loans and borrowings	29,381	30,651	26,658
Other current liabilities and provisions	60,094	54,809	54,835
Total current liabilities	109,852	111,389	119,821
TOTAL EQUITY AND LIABILITIES	814,702	880,587	866,397



Condensed Consolidated Statement of Cash Flow

in thousands of USD	Quarter ended 30 Sep 2020 unaudited	Quarter ended 30 Sep 2019 unaudited	Quarter ended 30 Jun 2020 unaudited	Nine months ended 30 Sep 2020 unaudited	Nine months ended 30 Sep 2019 unaudited
Income before taxes	-13,685	-6,828	-4,644	-24,752	-23,311
Reconciliation of net income to cash flow arising from operating activities:	9,974	19,154	18,427	54,623	52,794
Depreciation and amortization, before effect of grants and subsidies	18,700	18,807	18,657	56,188	52,956
Recognized investment grants and subsidies netted with depreciation and amortization	-852	-712	-851	-2,603	-2,199
Interest income and expenses (net)	348	382	1,114	1,980	1,224
Loss/(gain) on the sale of plant, property, and equipment (net)	-270	0	-34	-584	6
Loss/(gain) on the change in fair value of derivatives (net) and financial assets (net)	0	-35	0	-420	-360
Other non-cash transactions (net)	-7,953	713	-458	63	1,167
Changes in working capital:	1,897	3,510	16,687	12,929	-21,399
Decrease/(increase) of trade receivables	-2,663	-763	15,547	3,954	7,978
Decrease/(increase) of other receivables & prepaid expenses	4,800	-1,848	3,107	20,077	-12,940
Decrease/(increase) of inventories	5,928	4,933	-4,984	-4,692	-5,875
(Decrease)/increase of trade payables	-7,082	2,480	-4,950	-15,581	-8,383
(Decrease)/increase of other liabilities	914	-1,293	7,967	9,172	-2,178
Income taxes (paid)/received	-113	-157	-92	-833	-667
Cash Flow from operating activities	-1,926	15,679	30,379	41,969	7,417
Cash Flow from investing activities:					
Payments for property, plant, equipment & intangible assets	-6,756	-18,600	-7,492	-23,849	-63,356
Payments for investments	0	0	0	0	-350
Proceeds from sale of financial assets	0	0	0	1,156	0
Acquisition of subsidiary, net of cash acquired	0	0	0	0	0
Payments for loan investments to related parties	-34	-63	-42	-172	-223
Proceeds from loan investments related parties	40	44	51	154	177
Proceeds from sale of property, plant, and equipment	1,208	0	40	1,526	40
Interest received	436	672	475	1,406	1,959
Cash Flow used in investing activities	-5,105	-17,947	-6,967	-19,780	-61,753

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Condensed Consolidated Statement of Cash Flow – con't

in thousands of USD	Quarter ended 30 Sep 2020 unaudited	Quarter ended 30 Sep 2019 unaudited	Quarter ended 30 Jun 2020 unaudited	Nine months ended 30 Sep 2020 unaudited	Nine months ended 30 Sep 2019 unaudited
Cash Flow from (used in) financing activities:					
Proceeds from loans and borrowings	-266	24,706	8,813	8,547	24,706
Repayment of loans and borrowings	-7,781	-7,329	-6,547	-20,718	-21,913
Receipts from sale & leaseback arrangements	0	1,181	0	0	1,181
Payments of lease installments	-1,390	-1,311	-1,453	-4,201	-4,086
Receipt of government grants and subsidies	0	6,300	0	696	6,300
Interest paid	-185	-383	-260	-627	-1,194
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	0	-12	-11
Cash Flow from (used in) financing activities	-9,622	23,162	553	-16,315	4,983
Effect of changes in foreign currency exchange rates on cash	4,679	-2,877	1,084	577	-4,165
Increase/(decrease) of cash and cash equivalents	-16,654	20,895	23,965	5,874	-49,353
Cash and cash equivalents at the beginning of the period	191,636	171,232	166,587	173,211	242,768
Cash and cash equivalents at the end of the period	179,662	189,250	191,636	179,662	189,250

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