



## Regulated Information

# X-FAB Second Quarter 2019 Results

### Intermediate declaration by the Board of Directors

Tessenderlo, Belgium – July 30<sup>th</sup>, 2019, 5.40 pm CET

#### Highlights for Q2 2019:

- **Revenue was USD 131.6 million, within the guidance of USD 128-135 million, down 15% year-on-year and flat quarter-on-quarter**
- **EBITDA was USD 11.8 million, down 59% year-on-year and up 80% quarter-on-quarter**  
**EBITDA margin of 8.9%, on the upper end of 3-9% guidance**
- **EBIT was USD -5.6 million, down USD 19.1 million year-on-year and up USD 4.7 million quarter-on-quarter**
- **Net loss was USD 8.1 million, down USD 9.6 million year-on-year and up USD 2.3 million quarter-on-quarter**
- **Loss per share was USD 0.06**

#### Outlook:

- **Q3 2019 revenue is expected in the range of USD 128-135 million with an EBITDA margin in the range of 4% to 10%. Due to the continuing uncertainties in the market, visibility on the fourth quarter remains limited.**
- **Q3 2019 guidance is based on an average exchange rate of 1.14 USD/Euro.**

#### Revenue breakdown per quarter:

in millions of USD	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q2 y-o-y growth
Automotive	71.8	68.5	79.3	76.6	59.7	64.1	62.5	-21%
Industrial	20.7	23.2	25.0	23.8	24.3	24.1	23.3	-7%
Medical	6.9	4.8	5.6	6.3	7.3	6.8	6.3	14%
<b>Subtotal core business</b>	<b>99.3</b> <b>64.4%</b>	<b>96.5</b> <b>67.2%</b>	<b>109.8</b> <b>70.6%</b>	<b>106.7</b> <b>70.5%</b>	<b>91.3</b> <b>66.4%</b>	<b>95.0</b> <b>72.5%</b>	<b>92.1</b> <b>70.0%</b>	<b>-16%</b>
CCC <sup>1</sup>	53.9	46.5	45.3	44.4	45.9	35.8	39.1	-14%
Others	1.0	0.5	0.3	0.3	0.3	0.2	0.3	n.m.
<b>Total revenues</b>	<b>154.1</b>	<b>143.5</b>	<b>155.5</b>	<b>151.4</b>	<b>137.4</b>	<b>131.0</b>	<b>131.6</b>	<b>-15%</b>

<sup>1</sup> Consumer, Communications & Computer



## **Business development**

In the second quarter, X-FAB recorded revenues of USD 131.6 million coming in within the guidance range of USD 128-135 million. Year-on-year, revenues decreased by 15%, quarter-on-quarter revenues were almost flat with a slight increase of 0.4%. Production revenues in the second quarter were mainly impacted by the weak automotive market.

Revenues in X-FAB's core business, namely automotive, industrial and medical, came in at USD 92.1 million, a decrease by 16% compared to the same quarter last year. Quarter-on-quarter the core business went down by 3%. Uncertainties in the market continued throughout the second quarter, driven by a mix of economic factors as well as political conflicts in the world. Combined with the limited visibility going forward customers remained very cautious in their ordering behavior and carried on reducing their inventories. This is still reflected in a low level of bookings, although up 10% from the first quarter.

In the second quarter, automotive revenues decreased 21% year-on-year in line with the ongoing weakness of the automotive market. While production revenues dropped, prototyping revenues in the automotive segment recorded a growth of 14% compared to the same quarter last year.

Revenues in the industrial market segment declined 7% year-on-year; prototyping revenues for industrial applications went down by 12% year-on-year. The global economic weakness has led to cut-backs in investments for equipment, in particular in China, causing customers in the industrial segment to reduce their inventories.

The medical business of the second quarter recorded a 14% growth compared to the same quarter last year. Prototyping revenues were flat year-on-year, whereas production revenues in the medical segment increased by 20%. Lab-on-a-chip applications remained to be the strongest growth driver.

Consumer, communications & computer business (CCC) went down by 14% year-on-year. This was mainly due to a decrease of the legacy business in X-FAB France, which is however in line with the plan. The portion of revenues of the French site that is based on X-FAB technologies reached 20% and was mainly for the CCC end market.

In the second quarter, X-FAB group prototyping revenue came in at USD 18.5 million, which is an increase of 30% year-on-year including an IP sale amounting to USD 3 million. Excluding this one-off effect, prototyping revenue increased by more than 9% predominantly driven by new contracts adding up to the pipeline of new projects supporting future growth.



## **Operations update**

In the second quarter, further progress was made with the implementation of X-FAB's automotive technologies at X-FAB France with the first production of automotive wafers being started. As of July 2019, X-FAB's most popular 180nm technology platform (XH018) is available for automotive applications for supply out of France expanding the capacity for this technology and enabling dual sourcing for security of supply.

Silicon carbide (SiC) revenue in the second quarter almost tripled compared to the same quarter last year coming in at USD 6.4 million. SiC revenues in the first half of the year achieved the same level as for the total of 2018, in line with the company's growth targets. SiC prototyping revenue increased 46% year-on-year and 88% quarter-on-quarter. Production revenue went up by 15% quarter-on-quarter with another customer moving from prototyping stage into volume production. The customer and projects pipeline remained strong, and the preparations for offering in-house epi capabilities are on track. First epi prototyping is scheduled for delivery in the fourth quarter of 2019. Epi is short for epitaxy and refers to the process of depositing a thin epitaxial layer on a SiC raw wafer. This is a significant value-add step in the overall process of manufacturing silicon carbide semiconductors.

All manufacturing sites continued with their expansion and optimization activities aiming to increase output and productivity. This includes actions to drive automation as well as optimization projects, therewith taking advantage of the currently lower utilization levels since many of these activities are only possible while the fabs are not fully loaded.

Capital expenditures of the second quarter amounted to USD 20.9 million up 18% compared to the same quarter last year. Major projects were the capacity expansion at X-FAB Dresden, the new office building at X-FAB Sarawak as well as the activities to get the French site ready for automotive production. In a move to reduce capex spending as part of the ongoing cost-saving program, non-critical investments were put on hold. This will however only materialize at a later stage. Capital expenditures for the second quarter mainly refer to investment projects, which had been initiated in 2018 already.

## **Profitability and FX volatility**

After profitability was negatively impacted by a significant decrease of unfinished and finished goods inventory amounting to USD 9.2 million in the first quarter of the year, an increase of unfinished and finished goods inventory by USD 2.1 million in the second quarter positively contributed to profitability. These quarterly fluctuations are part of normal business.

The actual exchange rate for the second quarter of 2019 was 1.12 with a corresponding EBITDA margin of 8.9%. At a constant US-Dollar/Euro exchange rate of 1.19 experienced in the second quarter of last year, the EBITDA margin in Q2 2019 would have been at 7.6%.



In order to limit the impact of US-Dollar/Euro exchange rate fluctuations on profitability, X-FAB aims at achieving a 25% share of Euro-denominated sales by the end of 2019 and managed to raise this level to 24% in the second quarter of 2019, coming from a low of 11% in the fourth quarter of 2016.

### **Management comments & outlook**

Commenting on the development of X-FAB's business, Rudi De Winter, CEO of X-FAB Group, said: "Market conditions remained weak throughout the second quarter. Uncertainties continued with ongoing destocking on customer side and restrained demand. Visibility is therefore still limited. Nevertheless, I am extremely excited about the great interest we keep seeing for our technologies. In the automotive segment, thanks to the synergies between our silicon carbide and high-voltage CMOS offering as well as the inductive isolators, we are excellently prepared to support the electrification of cars. In the medical segment, lab-on-a-chip applications continued to grow, and we haven't even seen the real start of this business yet. I am also pleased with the very positive response received during our recent China roadshow to increase awareness for X-FAB in this market. I am confident that X-FAB is well positioned for solid growth as soon as the market recovers."

### **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, 2019.

### **X-FAB Quarterly Conference Call**

X-FAB's second quarter results will be discussed in a live conference call on Tuesday, July 30<sup>th</sup>, 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/7229215>

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 July 30<sup>th</sup> 11.30 pm CET until August 6<sup>th</sup> 11.30 pm CET. The replay number will be +44 (0) 3333009785, conference ID 7229215.

The third quarter 2019 results will be communicated on October 29<sup>th</sup>, 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  $\mu\text{m}$ , 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, 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 2019 unaudited	Quarter ended 30 Jun 2018 unaudited	Quarter ended 31 Mar 2019 unaudited	Half-year ended 30 Jun 2019 unaudited	Half-year ended 30 Jun 2018 unaudited
Revenue	131,560	155,497	131,005	262,565	299,027
Revenues in USD in %	75	83	76	76	82
Revenues in EUR in %	24	17	23	24	18
Cost of sales	-115,988	-124,616	-126,477	-242,466	-243,844
<b>Gross Profit</b>	<b>15,571</b>	<b>30,882</b>	<b>4,528</b>	<b>20,100</b>	<b>55,184</b>
<i>Gross Profit margin in %</i>	<i>11.8%</i>	<i>19.9%</i>	<i>3.5%</i>	<i>7.7%</i>	<i>18.5%</i>
Research and development expenses	-8,221	-7,935	-5,407	-13,628	-16,126
Selling expenses	-2,011	-1,942	-1,992	-4,003	-4,148
General and administrative expenses	-7,778	-7,439	-7,785	-15,563	-15,403
Rental income and expenses from investment properties	-361	439	174	-187	1,009
Other income and other expenses	-2,797	-461	220	-2,577	-1,126
<b>Operating profit</b>	<b>-5,596</b>	<b>13,544</b>	<b>-10,262</b>	<b>-15,858</b>	<b>19,390</b>
Finance income	3,405	-290	3,556	6,961	14,515
Finance costs	-4,964	-10,120	-2,622	-7,586	-19,091
<b>Net financial result</b>	<b>-1,559</b>	<b>-10,410</b>	<b>934</b>	<b>-625</b>	<b>-4,576</b>
<b>Profit before tax</b>	<b>-7,155</b>	<b>3,133</b>	<b>-9,329</b>	<b>-16,483</b>	<b>14,814</b>
Income tax	-926	-1,652	-1,036	-1,962	219
<b>Profit for the period</b>	<b>-8,081</b>	<b>1,481</b>	<b>-10,365</b>	<b>-18,445</b>	<b>15,033</b>
Operating profit (EBIT)	-5,596	13,544	-10,262	-15,858	19,390
Depreciation	17,365	15,087	16,784	34,149	29,413
<b>EBITDA</b>	<b>11,769</b>	<b>28,631</b>	<b>6,522</b>	<b>18,291</b>	<b>48,803</b>
<i>EBITDA margin in %</i>	<i>8.9</i>	<i>18.4</i>	<i>5.0</i>	<i>7.0</i>	<i>16.3</i>
<b>Earnings per share at the end of period</b>	<b>-0.06</b>	<b>0.01</b>	<b>-0.08</b>	<b>-0.14</b>	<b>0.12</b>
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	1.12324	1.19341	1.13635	1.12979	1.21187

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	Half-year ended 30 Jun 2019 unaudited	Half-year ended 30 Jun 2018 unaudited	Year ended 31 Dec 2018 audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant, and equipment	373,832	319,113	345,626
Investment properties	9,362	8,778	9,415
Intangible assets	8,462	8,317	9,023
Non-current investments	706	727	381
Other non-current assets	26,692	14,682	20,594
Deferred tax assets	34,328	35,665	34,234
<b>Total non-current assets</b>	<b>453,381</b>	<b>387,282</b>	<b>419,272</b>
<b>Current assets</b>			
Inventories	157,959	118,943	147,150
Trade and other receivables	62,870	81,962	71,378
Other assets	31,057	19,846	26,699
Cash and cash equivalents	171,232	295,345	242,768
<b>Total current assets</b>	<b>423,118</b>	<b>516,096</b>	<b>487,995</b>
<b>TOTAL ASSETS</b>	<b>876,499</b>	<b>903,378</b>	<b>907,268</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	432,745	432,745	432,745
Share premium	348,709	348,709	348,709
Retained earnings	-103,979	-91,794	-84,782
Cumulative translation adjustment	-483	-444	-539
Treasury shares	-770	-770	-770
<b>Total equity attributable to equity holders of the parent</b>	<b>676,222</b>	<b>688,446</b>	<b>695,363</b>
Non-controlling interests	363	357	364
<b>Total equity</b>	<b>676,585</b>	<b>688,803</b>	<b>695,726</b>
<b>Non-current liabilities</b>			
Non-current loans and borrowings	76,417	88,397	72,328
Other non-current liabilities and provisions	7,441	8,370	7,446
<b>Total non-current liabilities</b>	<b>83,858</b>	<b>96,767</b>	<b>79,774</b>
<b>Current liabilities</b>			
Trade payables	28,778	25,866	45,889
Current loans and borrowings	32,456	36,062	31,632
Other current liabilities and provisions	54,822	55,879	54,246
<b>Total current liabilities</b>	<b>116,056</b>	<b>117,808</b>	<b>131,767</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>876,499</b>	<b>903,378</b>	<b>907,268</b>



## Condensed Consolidated Statement of Cash Flow

in thousands of USD	Quarter ended 30 Jun 2019 unaudited	Quarter ended 30 Jun 2018 unaudited	Quarter ended 31 Mar 2019 unaudited	Half-year ended 30 Jun 2019 unaudited	Half-year ended 30 Jun 2018 unaudited
<b>Income before taxes</b>	<b>-7,155</b>	<b>3,133</b>	<b>-9,329</b>	<b>-16,483</b>	<b>14,814</b>
<b>Reconciliation of net income to cash flow arising from operating activities:</b>	<b>19,807</b>	<b>22,493</b>	<b>13,833</b>	<b>33,639</b>	<b>31,897</b>
Depreciation and amortization, before effect of grants and subsidies	17,365	15,087	16,784	34,149	29,413
Recognized investment grants and subsidies netted with depreciation and amortization	-742	-802	-745	-1,487	-1,639
Interest income and expenses (net)	424	60	419	842	654
Loss/(gain) on the sale of plant, property, and equipment (net)	6	-2	0	6	671
Loss/(gain) on the change in fair value of derivatives (net) and financial assets (net)	-182	2,107	-143	-325	3,206
Other non-cash transactions (net)	2,936	6,043	-2,482	454	-408
<b>Changes in working capital:</b>	<b>-16,965</b>	<b>-3,167</b>	<b>-7,943</b>	<b>-24,908</b>	<b>-14,238</b>
Decrease/(increase) of trade receivables	-4,666	-1,167	13,406	8,740	863
Decrease/(increase) of other receivables & prepaid expenses	-5,010	8,613	-6,082	-11,093	-163
Decrease/(increase) of inventories	-6,679	-5,516	-4,129	-10,808	-13,097
(Decrease)/increase of trade payables	-3,387	-2,242	-7,476	-10,863	-7,055
(Decrease)/increase of other liabilities	2,777	-2,855	-3,662	-885	5,214
<b>Income taxes (paid)/received</b>	<b>-417</b>	<b>-85</b>	<b>-92</b>	<b>-510</b>	<b>-148</b>
<b>Cash Flow from operating activities</b>	<b>-4,730</b>	<b>22,374</b>	<b>-3,532</b>	<b>-8,262</b>	<b>32,325</b>
<b>Cash Flow from investing activities:</b>					
Payments for property, plant, equipment & intangible assets	-20,942	-17,730	-23,815	-44,756	-38,497
Payments for investments	-175	0	-175	-350	0
Acquisition of subsidiary, net of cash acquired	0	0	0	0	0
Payments for loan investments to related parties	-60	-61	-101	-161	-127
Proceeds from loan investments related parties	40	44	94	133	96
Proceeds from sale of property, plant, and equipment	40	2	0	40	18
Interest received	624	879	663	1,287	1,413
<b>Cash Flow used in investing activities</b>	<b>-20,473</b>	<b>-16,866</b>	<b>-23,334</b>	<b>-43,807</b>	<b>-37,098</b>

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

in thousands of USD	Quarter ended 30 Jun 2019 unaudited	Quarter ended 30 Jun 2018 unaudited	Quarter ended 31 Mar 2018 unaudited	Half-year ended 30 Jun 2019 unaudited	Half-year ended 30 Jun 2018 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	-7,083	-7,814	-7,500	-14,583	-16,562
Receipts from sale & leaseback arrangements	0	0	0	0	0
Payments of lease installments	-2,156	-612	-618	-2,774	-1,314
Receipt of government grants and subsidies	0	357	0	0	357
Interest paid	-401	-514	-409	-810	-1,133
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	-11	-11	-12
<b>Cash Flow from (used in) financing activities</b>	<b>-9,641</b>	<b>-8,583</b>	<b>-8,539</b>	<b>-18,180</b>	<b>-18,664</b>
Effect of changes in foreign currency exchange rates on cash	-1,200	-8,445	-88	-1,288	-454
Increase/(decrease) of cash and cash equivalents	-34,844	-3,075	-35,405	-70,248	-23,437
Cash and cash equivalents at the beginning of the period	207,276	306,865	242,768	242,768	319,235
<b>Cash and cash equivalents at the end of the period</b>	<b>171,232</b>	<b>295,345</b>	<b>207,276</b>	<b>171,232</b>	<b>295,345</b>

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