

Regulated Information

X-FAB First Quarter 2020 Results

Intermediate declaration by the Board of Directors

Tessenderlo, Belgium – April 30, 2020, 07.00 a.m. CET

Highlights Q1 2020:

- Revenue was USD 126.9 million, within the guidance of USD 125-132 million, down 3% year-on-year and up 12% quarter-on-quarter
- Bookings were USD 148.2 million, up 27% year-on-year and 16% quarter-on-quarter
- EBITDA was USD 17.3 million, up 166% year-on-year and up 19.9 million quarter-on-quarter
EBITDA margin of 13.7% was above the 6-10% guidance
- EBIT was USD -1.5 million, up USD 8.8 million year-on-year and up USD 20.4 million quarter-on-quarter
- Net loss was USD -6.7 million, up USD 3.6 million year-on-year and up USD 15.7 million quarter-on-quarter

Outlook:

- Q2 2020 revenue is expected in the range of USD 118-128 million with an EBITDA margin in the range of 5-9%.
- The guidance for Q2 2020 is based on an average exchange rate of 1.10 USD/Euro.

Revenue breakdown per quarter:

in millions of USD	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q1 y-o-y growth
Automotive	79.3	76.6	59.7	64.1	62.5	60.5	56.7	68.3	7%
Industrial	25.0	23.8	24.3	24.1	23.3	24.4	20.1	22.1	-8%
Medical	5.6	6.3	7.3	6.8	6.3	8.8	6.3	6.5	-4%
Subtotal core business	109.8	106.7	91.3	95.0	92.1	93.7	83.2	96.9	2%
	70.6%	70.5%	66.4%	72.5%	70.0%	71.8%	73.3%	76.4%	
CCC ¹	45.3	44.4	45.9	35.8	39.1	36.7	30.1	29.7	-17%
Others	0.3	0.3	0.3	0.2	0.3	0.0	0.1	0.3	18%
Total revenues	155.5	151.4	137.4	131.0	131.6	130.5	113.4	126.9	-3%

¹ Consumer, Communications & Computer

in millions of USD	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q1 y-o-y growth
CMOS	140.6	138.7	122.0	118.2	114.4	114.4	98.1	112.8	-5%
MEMS	12.7	9.5	10.4	8.1	10.7	9.5	9.9	9.6	18%
Silicon carbide	2.2	3.3	5.0	4.7	6.4	6.5	5.5	4.5	-4%
Total revenues	155.5	151.4	137.4	131.0	131.6	130.5	113.4	126.9	-3%



Business development

X-FAB's first quarter revenues came in at USD 126.9 million, within the guidance range of USD 125-132 million. Compared to the same quarter last year, revenues declined 3%, quarter-on-quarter they increased by 12%.

X-FAB's core business, namely automotive, industrial and medical, recorded quarterly revenues of USD 96.9 million, up 2% year-on-year and 17% quarter-on-quarter.

The automotive revenues of the first quarter recorded a growth of 7% year-on-year and increased by 20% compared to the previous quarter. While automotive production revenues had started to recover going up by 7% year-on-year, prototyping revenues declined 4% compared to the same quarter last year.

First quarter revenues in the industrial market were down 8% year-on-year. Compared to the previous quarter, they grew by 10%. The industrial business of the first quarter was particularly strong in regards to prototyping activities, which increased by 26% year-on-year. Industrial production revenues recorded a decline of 19%, which relates to continued inventory corrections at a major industrial customer.

In the first quarter, X-FAB's medical revenues declined 4% year-on-year while they increased by 3% compared to the previous quarter. Medical prototyping revenues recorded a year-on-year growth of 12%. Production revenues were down 10%, mainly due to the transition to a next generation product at a major medical customer. This is a temporary effect and medical production revenues are expected to recover in the second quarter.

Consumer, Communications & Computer (CCC) sales were down 17% year-on-year during the first quarter and flat compared to the previous quarter. CCC prototyping revenues recorded a fall of 35% compared to the same quarter last year and production revenues declined 15% year-on-year.

The decline of CCC revenues is in line with the typical first quarter cyclicity in the mobile communications business, namely the RF-SOI applications, and as a result of the planned decrease of the legacy business manufactured at X-FAB France. In the first quarter, the share of the French site's revenues based on X-FAB technologies increased year-on-year as well as quarter-on-quarter and amounted to 18%.

In the first quarter, X-FAB's prototyping revenues came in at USD 14.0 million, up 3% year-on-year, while recording a 19% decline compared to the previous quarter. This decline is due to typical seasonal effects combined with a relatively high comparative base in the fourth quarter last year.

Throughout the first quarter, bookings have trended upwards coming in at a total of USD 148.2 million. This is an increase of 27% year-on-year and 16% compared to the previous quarter.



Operations update

Despite challenges associated with the COVID-19 pandemic, all manufacturing sites remained fully operational and were not affected by any disruptions during the first quarter. With a variety of safety measures implemented at all locations, X-FAB is committed to ensuring the health and well-being of its employees during the pandemic, ultimately contributing positively to the continuity of production. This includes measures to secure the supply of raw materials as well as transport capacities for the delivery of products.

The activities offering in-house silicon carbide (SiC) epitaxy are on track for production. The line has successfully produced the first wafers, and it is planned to gradually ramp the SiC epitaxy production volumes up. Epitaxy refers to the process of depositing a thin epitaxial layer on a SiC raw wafer, which is a significant value-add step in the overall process of manufacturing silicon carbide semiconductors.

Seven of X-FAB's existing SiC customers are now in volume production after one additional customer completed prototyping and moved to production. The pipeline for new customers and projects remains strong and X-FAB expects to further expand its SiC customer base going forward. In the first quarter, silicon carbide revenues came in at USD 4.5 million, down 4% year-on-year and 19% quarter-on-quarter. Due to ongoing inventory corrections at a major customer, SiC production revenues declined 49% compared to the same quarter last year, while prototyping revenues recorded a growth of 102% year-on-year.

First quarter capital expenditures were USD 9.6 million, down 60% compared to the same quarter last year. Apart from maintenance activities, capex was allocated for the expansion of capacities and/or capabilities, mainly at the sites in Malaysia, France, and Dresden, Germany.

Profitability and FX volatility

In light of the strong bookings in the first quarter, unfinished and finished goods inventory increased by USD 5.3 million, which contributed positively to profitability. This is the main reason for outperforming first quarter EBITDA guidance. Without the inventory increase, the EBITDA margin would have come in at the higher end of the guided 6-10%.

First quarter net financial result was USD -4.9 million, significantly down year-on-year as well as quarter-on-quarter. This is largely due to the non-cash devaluation of the Malaysian ringgit which had a negative impact of USD 4.8 million.

X-FAB continued its efforts to increase its share of Euro-denominated sales in order to limit the impact of exchange rate fluctuations on profitability and to ensure a better natural hedging of the business. In the first quarter, the share of Euro-denominated sales amounted to 28%, on track to reach the 30% target by year-end.



The actual US-Dollar/Euro exchange rate for the first quarter of 2020 was 1.10 leading to an EBITDA margin of 13.7%. At a constant exchange rate of 1.14, as experienced in the first quarter of last year, the EBITDA margin would have been 13.2%.

While first quarter order entries held up well, and despite the low visibility going forward, X-FAB anticipates a drop in demand due to the expected impact which the COVID-19 pandemic will have on the global economy. X-FAB is therefore preparing comprehensive cost-saving initiatives to manage potential disruptions on the demand side. This includes a variety of measures to lower costs related to staff, travel, electricity, and raw materials. Capital expenditures are also being reviewed and can be limited to a minimum. As it becomes necessary, X-FAB will make use of the different schemes offered by governments around the world to support companies impacted by the crisis. One key element is short-time work, which would be an option for X-FAB's European sites.

Management comments & outlook

“First of all, I would like to thank all X-FAB employees for their strong commitment, the extra efforts and the flexibility to keep all factories operational in this difficult period of lockdowns,” said Rudi De Winter, CEO of X-FAB Group. Commenting on the development of X-FAB's business, he added: “After strong order entries in the first quarter, the second quarter was also off to a good start, while we only recently began to see a marked softening in bookings. Overall, we are once again facing a situation characterized by a very low visibility going forward and a high level of uncertainty. This is why we are currently putting a special focus on cost-saving initiatives, which puts us in a position to react quickly if demand drops. On the other hand, X-FAB enables many applications that are essential in these times. One example is our medical business where lab-on-a-chip applications provide for fast and reliable testing. This solution will certainly gain importance in the post-COVID-19 era. The growing demand for reliable virtual communication channels is also accelerating the adoption of 5G, which X-FAB supports with its RF-SOI technology offering. We are the sole supplier for more than 90% of the products that we manufacture, and we are strongly committed to ensure reliable supply to all our customers during this difficult period, taking all necessary measures to weather this storm. I am confident that X-FAB is well positioned to do so.”



X-FAB Quarterly Conference Call

X-FAB's first quarter results will be discussed in a live conference call on Thursday, April 30, 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/3675506>

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 30, 2020, 11.30 p.m. CET until May 7, 2020, 11.30 p.m. CET. The replay number will be +44 (0) 3333009785, conference ID 3675506.

The second quarter 2020 results will be communicated on July 30, 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 31 Mar 2020 unaudited	Quarter ended 31 Mar 2019 unaudited	Quarter ended 31 Dec 2019 unaudited	Year ended 31 Dec 2019 audited
Revenue	126,894	131,005	113,390	506,417
Revenues in USD in %	72	76	73	75
Revenues in EUR in %	28	23	26	25
Cost of sales	-112,419	-126,477	-117,702	-479,128
Gross Profit	14,475	4,528	-4,312	27,290
<i>Gross Profit margin in %</i>	<i>11.4</i>	<i>3.5</i>	<i>-3.8</i>	<i>5.4</i>
Research and development expenses	-5,900	-5,407	-6,615	-28,298
Selling expenses	-2,012	-1,992	-2,064	-8,080
General and administrative expenses	-7,656	-7,785	-7,917	-30,728
Rental income and expenses from investment properties	40	174	168	-129
Other income and other expenses	-433	220	-1,145	-3,920
Operating profit	-1,487	-10,262	-21,886	-43,865
Finance income	3,499	3,556	2,943	13,049
Finance costs	-8,435	-2,622	-2,665	-14,102
Net financial result	-4,936	934	278	-1,053
Profit before tax	-6,423	-9,329	-21,607	-44,918
Income tax	-302	-1,036	-842	-4,165
Profit for the period	-6,724	-10,365	-22,449	-49,083
Operating profit (EBIT)	-1,487	-10,262	-21,886	-43,865
Depreciation	18,831	16,784	19,330	72,286
EBITDA	17,344	6,522	-2,555	28,421
<i>EBITDA margin in %</i>	<i>13.7</i>	<i>5.0</i>	<i>-2.3</i>	<i>5.6</i>
Earnings per share at the end of period	-0.05	-0.08	-0.17	-0.38
Weighted average number of shares	130,631,921	130,631,921	130,631,921	130,631,921
EUR/USD average exchange rate	1.10275	1.13635	1.10710	1.11976

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 2020 unaudited	Quarter ended 31 Mar 2019 unaudited	Year ended 31 Dec 2019 audited
ASSETS			
Non-current assets			
Property, plant, and equipment	359,864	368,974	368,754
Investment properties	8,983	9,266	9,128
Intangible assets	5,558	8,496	8,363
Non-current investments	0	524	736
Other non-current assets	10,943	23,594	27,568
Deferred tax assets	33,881	34,310	33,922
Total non-current assets	419,229	445,164	448,471
Current assets			
Inventories	160,282	151,280	154,649
Trade and other receivables	63,600	58,054	55,636
Other assets	36,321	29,179	34,429
Cash and cash equivalents	166,587	207,276	173,211
Total current assets	426,791	445,789	417,925
TOTAL ASSETS	846,019	890,953	866,397
EQUITY AND LIABILITIES			
Equity			
Share capital	432,745	432,745	432,745
Share premium	348,709	348,709	348,709
Retained earnings	-140,565	-95,159	-133,835
Cumulative translation adjustment	-685	-473	-445
Treasury shares	-770	-770	-770
Total equity attributable to equity holders of the parent	639,434	685,052	646,403
Non-controlling interests	371	364	377
Total equity	639,805	685,417	646,781
Non-current liabilities			
Non-current loans and borrowings	80,658	88,078	92,389
Other non-current liabilities and provisions	7,404	7,441	7,407
Total non-current liabilities	88,062	95,519	99,795
Current liabilities			
Trade payables	32,881	31,259	38,327
Current loans and borrowings	30,537	27,785	26,658
Other current liabilities and provisions	54,735	50,974	54,835
Total current liabilities	118,152	110,017	119,821
TOTAL EQUITY AND LIABILITIES	846,019	890,953	866,397



Condensed Consolidated Statement of Cash Flow

in thousands of USD	Quarter ended 31 Mar 2020 unaudited	Quarter ended 31 Mar 2019 unaudited	Quarter ended 31 Dec 2019 unaudited	Full year ended 31 Dec 2019 audited
Income before taxes	-6,423	-9,329	-21,607	-44,918
Reconciliation of net income to cash flow arising from operating activities:	26,222	13,833	21,283	74,076
Depreciation and amortization, before effect of grants and subsidies	18,831	16,784	19,330	72,286
Recognized investment grants and subsidies netted with depreciation and amortization	-901	-745	-1,551	-3,750
Interest income and expenses (net)	518	419	358	1,582
Loss/(gain) on the sale of plant, property, and equipment (net)	-281	0	2,195	2,202
Loss/(gain) on the change in fair value of derivatives (net) and financial assets (net)	-420	-143	5	-355
Other non-cash transactions (net)	8,474	-2,482	944	2,111
Changes in working capital:	-5,655	-7,943	9,306	-12,093
Decrease/(increase) of trade receivables	-8,930	13,406	8,191	16,169
Decrease/(increase) of other receivables & prepaid expenses	12,170	-6,082	-3,402	-16,342
Decrease/(increase) of inventories	-5,635	-4,129	-1,623	-7,498
(Decrease)/increase of trade payables	-3,549	-7,476	8,350	-33
(Decrease)/increase of other liabilities	290	-3,662	-2,211	-4,389
Income taxes (paid)/received	-628	-92	-1,394	-2,061
Cash Flow from operating activities	13,516	-3,532	7,587	15,004
Cash Flow from investing activities:				
Payments for property, plant, equipment & intangible assets	-9,601	-23,815	-15,602	-78,958
Payments for investments	0	-175	0	-350
Proceeds from sale of financial assets	1,156	0	0	0
Acquisition of subsidiary, net of cash acquired	0	0	0	0
Payments for loan investments to related parties	-96	-101	-8	-231
Proceeds from loan investments related parties	62	94	40	217
Proceeds from sale of property, plant, and equipment	278	0	415	454
Interest received	494	663	689	2,648
Cash Flow used in investing activities	-7,708	-23,334	-14,466	-76,220

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Condensed Consolidated Statement of Cash Flow – con't

in thousands of USD	Quarter ended 31 Mar 2020 unaudited	Quarter ended 31 Mar 2019 unaudited	Quarter ended 31 Dec 2019 unaudited	Full year ended 31 Dec 2019 audited
Cash Flow from (used in) financing activities:				
Proceeds from loans and borrowings	0	0	0	24,706
Repayment of loans and borrowings	-6,391	-7,500	-12,754	-34,667
Receipts from sale & leaseback arrangements	0	0	7	1,187
Payments of lease installments	-1,358	-618	-1,399	-5,485
Receipt of government grants and subsidies	696	0	3,309	9,609
Interest paid	-182	-409	-358	-1,551
Gross proceeds from capital increase	0	0	0	0
Direct cost related to capital increase	0	0	0	0
Payment of preference dividend	0	0	-1,000	-1,000
Distribution to non-controlling interests	-12	-11	0	-11
Cash Flow from (used in) financing activities	-7,246	-8,539	-12,195	-7,213
Effect of changes in foreign currency exchange rates on cash	-5,186	-88	3,036	-1,129
Increase/(decrease) of cash and cash equivalents	-1,438	-35,405	-19,075	-68,428
Cash and cash equivalents at the beginning of the period	173,211	242,768	189,250	242,768
Cash and cash equivalents at the end of the period	166,587	207,276	173,211	173,211

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