

Regulated Information

X-FAB Second Quarter 2021 Results

Intermediate declaration by the Board of Directors

Tessenderlo, Belgium – July 29, 2021, 05.40 p.m. CET

Highlights Q2 2021:

- › Revenue was USD 161.0 million, exceeding the guidance of USD 154-160 million, up 36% year-on-year (YoY) and up 4% quarter-on-quarter (QoQ)
- › Bookings came in at USD 209.1 million remaining at a high level, up 110% YoY and flat QoQ
- › EBITDA margin of 26.9%, clearly above the 17-21% guidance
- › EBITDA was USD 43.3 million, up 173% YoY and up 22% QoQ
- › EBIT was USD 24.6 million, up USD 27.4 million YoY and up USD 7.6 million QoQ

Outlook:

- › Q3 2021 revenue is expected in the range of USD 162-170 million with an EBITDA margin in the range of 18-22%.
- › Full year revenue guidance has been increased to USD 640-660 million (previously USD 610-630 million) with an EBITDA margin in the range of 21.5-23.5% (previously 18-21%)
- › The guidance is based on an average exchange rate of 1.20 USD/Euro.

Revenue breakdown per quarter:

in millions of USD	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q2 y-o-y growth
Automotive	60.5	56.7	68.3	61.6	40.8	65.4	83.5	82.8	35%
Industrial	24.4	20.1	22.1	23.9	23.9	27.3	32.4	35.2	47%
Medical	8.8	6.3	6.5	7.3	7.7	12.0	8.7	10.4	43%
Subtotal core business	93.7	83.2	96.9	92.7	72.3	104.7	124.6	128.4	38%
	71.8%	73.3%	76.4%	78.1%	75.2%	77.1%	80.1%	79.8%	
CCC ¹	36.7	30.1	29.7	25.9	23.7	30.9	30.6	32.4	25%
Others	0.0	0.1	0.3	0.2	0.1	0.3	0.3	0.1	
Total revenues	130.5	113.4	126.9	118.8	96.1	135.9	155.4	161.0	36%

¹ Consumer, Communications & Computer



in millions of USD	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q2 y-o-y growth
CMOS	114.4	98.1	112.8	103.4	81.1	115.0	135.9	137.5	33%
MEMS	9.5	9.9	9.6	10.4	9.8	14.6	14.4	16.2	56%
Silicon carbide	6.5	5.5	4.5	5.0	5.2	6.3	6.1	7.2	44%
Total revenues	130.5	113.4	126.9	118.8	96.1	135.9	155.4	161.0	36%

Business development

Business continued to grow strongly throughout the second quarter and across all end markets. Total quarterly revenues amounted to USD 161.0 million, exceeding the guided USD 154-160 million and recording an increase of 36% year-on-year and 4% quarter-on-quarter.

X-FAB's core business targeting the Automotive, Industrial and Medical markets recorded revenues of USD 128.4 million, up 38% year-on-year and 3% quarter-on-quarter. Quarterly CCC revenues (Consumer, Communications & Computer) came in at USD 32.4 million, corresponding to a growth of 25% year-on-year and 6% quarter-on-quarter.

Bookings remained strong throughout the second quarter and came in at USD 209.1 million, up 110% year-on-year and roughly at the level of the previous quarter.

In the second quarter, demand continued to be driven by the ongoing volume recovery following the COVID-19-related weakness in 2020 but also by adding new customers and projects, and by transferring existing development projects into volume production. Interest in X-FAB's specialty technologies is strong as they enable smart solutions which are key to address today's societal challenges. These include climate change with the need for greener energy and transportation (SiC), the COVID-19 era and aging societies with the need for fast and reliable point-of-care diagnostics (lab-on-a-chip) or the globalized and increasingly connected world requiring all kinds of sensor applications.

Prototyping and production revenue per quarter and end market:

in millions of USD	Revenue	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q2 y-o-y growth
Automotive	Prototyping	2.3	2.6	3.6	3.2	3.0	31%
	Production	59.3	38.2	61.8	80.4	79.8	35%
Industrial	Prototyping	7.2	7.2	8.2	9.0	10.3	43%
	Production	16.7	16.6	19.0	23.3	24.9	49%
Medical	Prototyping	3.3	3.4	6.9	2.2	2.9	-12%
	Production	4.0	4.2	5.1	6.4	7.5	88%
CCC	Prototyping	2.6	2.6	3.2	4.3	4.1	57%
	Production	23.3	21.0	27.7	26.3	28.3	22%



With the consistently strong order intake and factories running at high utilization levels, the allocation of capacity to customers had to be continued throughout the second quarter. X-FAB's first priority remains to ensure its customers receive minimum supply to avoid any disruptions in their supply chain. An important part of this effort is to move business to X-FAB France, where free capacities are still available. In the second quarter, the share of the French site's revenues based on X-FAB technologies went up to 20% and is expected to increase significantly during the second half of 2021.

The order backlog accumulated at the end of the second quarter remains at a high level and will contribute positively to business growth over the coming quarters.

Quarterly prototyping revenues totaled USD 20.4 million, up 31% year-on-year and 8% quarter-on-quarter, reflecting the strong interest in X-FAB's technology portfolio.

Operations update

In the second quarter, X-FAB's factories continued to run at high utilization rates and the focus on execution excellence and productivity improvements remained essential to ensure the best supply to X-FAB's customers. In light of the strong demand, X-FAB is making every effort to ensure operations run smoothly at all locations. This includes the hire of additional staff, activities to secure the raw material supply but also the strict compliance with the safety measures which are in place to prevent any COVID-19-related disruptions.

The silicon carbide (SiC) activities progressed well and X-FAB was able to further expand its SiC customer base and projects pipeline mainly driven by existing customers expanding their portfolio of offerings. Quarterly SiC bookings more than doubled year-on-year and SiC revenues in the second quarter came in at USD 7.2 million, up 44% year-on-year and up 19% quarter-on-quarter. Demand for X-FAB's in-house SiC epitaxy line is also strong. About half of X-FAB's SiC customers are either in the process of qualifying or already producing SiC epitaxy at X-FAB's in-house line. SiC 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.

Capital expenditures in the second quarter amounted to USD 14.2 million, up 90% compared to the same quarter last year. The growth in capex was mainly related to prepayments for new equipment which was part of the investment projects initiated in the first quarter. In the second quarter, X-FAB launched additional capex projects for the expansion of capacity that have a total value of USD 85 million, most of which will be due for payment in 2022.

Financial update

Second quarter EBITDA was USD 43.3 million with an EBITDA margin of 26.9%, clearly exceeding the guided 17-21%. The positive earnings development is mainly due to the strong revenue growth. Additionally, the inventory of unfinished and finished goods significantly increased by USD 5.3 million, also contributing positively to second quarter profitability.



In 2020 and in the context of a COVID-19 government support scheme, X-FAB Texas received a loan of USD 6.5 million to secure payroll and utility payments. Under the terms of the program, X-FAB Texas was able to apply for loan forgiveness after having fulfilled certain conditions regarding the retention of employees. This loan forgiveness was approved by the authorities in June 2021. Thus, the balance of the loan was released to income and offset against cost of sales, which also had a positive effect on the profitability of the second quarter. Excluding this one-off effect, EBITDA would still have been above guidance at 22.9%.

Based on the positive business development and an expected further increase in profitability, deferred tax assets from loss carry forwards increased by USD 2.9 million in the second quarter.

Cash and cash equivalents at the end of the second quarter were at USD 205.1 million, up 5% against the end of the first quarter.

In the second quarter, the share of Euro-denominated sales amounted to 33%, therefore limiting the impact of exchange rate fluctuations on profitability and ensuring a natural hedging of the business. X-FAB will continue its efforts to further increase the share of Euro-denominated sales up to a level of approximately 40%, which corresponds to the share of costs incurred in Euro.

The actual US-Dollar/Euro exchange rate for the second quarter of 2021 was 1.20 leading to an EBITDA margin of 26.9%. At a constant exchange rate of 1.10, as experienced in the second quarter of last year, the EBITDA margin would have been 27.8%.

Management comments & outlook

Rudi De Winter, CEO of X-FAB Group, said: "It is a great pleasure to see the high level of interest in our technology offerings. All end markets we serve are performing very well and this is not only related to the ongoing recovery after the past two difficult years. Societies are in transformation, mainly driven by climate change and the COVID-19 pandemic, and while the outcome is still open, it is clear that smart technological solutions are essential to tackle the challenges ahead of us. We, as X-FAB, take pride in offering technologies which enable such smart solutions and I see X-FAB well positioned for future growth. In the short-term and in light of the challenges related to the extraordinary demand situation, all our customers can rest assured that their reliable supply is our first priority. Our teams across all X-FAB sites are working very hard to deliver excellent results and to further increase output."

Procedures of the independent auditor

The statutory auditor, KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises BV, represented by Jos Briers, 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, 2021.



X-FAB Quarterly Conference Call

X-FAB's second quarter results will be discussed in a live conference call on Thursday, July 29, 2021, 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/2492570>.

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 29, 2021, 11.30 p.m. CET until August 5, 2021, 11.30 p.m. CET. The replay number will be +44 (0) 3333009785, conference ID 2492570.

The third quarter 2021 results will be communicated on October 28, 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 4,000 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 2021 unaudited	Quarter ended 30 Jun 2020 unaudited	Quarter ended 31 Mar 2021 unaudited	Half-year ended 30 Jun 2021 unaudited	Half-year ended 30 Jun 2020 unaudited
Revenue	160,955	118,756	155,420	316,375	245,650
Revenues in USD in %	66	67	67	67	69
Revenues in EUR in %	33	32	33	33	30
Cost of sales	-119,230	-107,942	-120,419	-239,649	-220,361
Gross Profit	41,725	10,814	35,001	76,726	25,289
<i>Gross Profit margin in %</i>	25.9	9.1	22.5	24.3	10.3
Research and development expenses	-8,692	-5,891	-8,482	-17,174	-11,791
Selling expenses	-2,008	-2,118	-2,119	-4,127	-4,130
General and administrative expenses	-7,649	-6,992	-8,150	-15,800	-14,648
Rental income and expenses from investment properties	668	183	627	1,295	223
Other income and other expenses	559	1,210	155	714	776
Operating profit	24,602	-2,794	17,032	41,635	-4,281
Finance income	3,470	3,410	4,283	7,753	6,909
Finance costs	-3,104	-5,260	-7,167	-10,271	-13,695
Net financial result	366	-1,850	-2,884	-2,518	-6,786
Profit before tax	24,968	-4,644	14,148	39,117	-11,067
Income tax	1,769	-1,243	-1,374	395	-1,544
Profit for the period	26,737	-5,887	12,775	39,512	-12,611
Operating profit (EBIT)	24,602	-2,794	17,032	41,635	-4,281
Depreciation	18,718	18,657	18,551	37,269	37,488
EBITDA	43,320	15,863	35,583	78,903	33,207
<i>EBITDA margin in %</i>	26.9	13.4	22.9	24.9	13.5
Earnings per share at the end of period	0.20	-0.05	0.10	0.30	-0.10
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	1.20429	1.10006	1.20628	1.20528	1.10140

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 2021 unaudited	Quarter ended 30 Jun 2020 unaudited	Year ended 31 Dec 2020 audited
ASSETS			
Non-current assets			
Property, plant, and equipment	325,812	350,156	336,848
Investment properties	8,265	8,843	8,556
Intangible assets	4,807	4,988	4,726
Other non-current assets	48	7,729	68
Deferred tax assets	33,223	33,248	30,392
Total non-current assets	372,156	404,964	380,590
Current assets			
Inventories	162,235	165,268	153,711
Trade and other receivables	66,994	48,442	54,576
Other assets	48,641	35,106	38,054
Cash and cash equivalents	205,109	191,636	205,867
Total current assets	482,979	440,451	452,208
TOTAL ASSETS	855,135	845,415	832,798
EQUITY AND LIABILITIES			
Equity			
Share capital	432,745	432,745	432,745
Share premium	348,709	348,709	348,709
Retained earnings	-80,465	-146,823	-120,603
Cumulative translation adjustment	-594	-582	-747
Treasury shares	-770	-770	-770
Total equity attributable to equity holders of the parent	699,626	633,279	659,334
Non-controlling interests	341	365	344
Total equity	699,967	633,644	659,677
Non-current liabilities			
Non-current loans and borrowings	34,899	82,753	44,413
Other non-current liabilities and provisions	4,241	7,407	4,371
Total non-current liabilities	39,140	90,159	48,784
Current liabilities			
Trade payables	26,809	27,778	27,882
Current loans and borrowings	24,321	30,875	31,796
Other current liabilities and provisions	64,898	62,958	64,658
Total current liabilities	116,029	121,611	124,336
TOTAL EQUITY AND LIABILITIES	855,135	845,415	832,798



Condensed Consolidated Statement of Cash Flow

in thousands of USD	Quarter ended 30 Jun 2021 unaudited	Quarter ended 30 Jun 2020 unaudited	Quarter ended 31 Mar 2021 unaudited	Half-year ended 30 Jun 2021 unaudited	Half-year ended 30 Jun 2020 unaudited
Income before taxes	24,968	-4,644	14,148	39,117	-11,067
Reconciliation of net income to cash flow arising from operating activities:	12,079	18,427	21,592	33,670	44,649
Depreciation and amortization, before effect of grants and subsidies	18,718	18,657	18,551	37,269	37,488
Recognized investment grants and subsidies netted with depreciation and amortization	-848	-851	-841	-1,689	-1,752
Interest income and expenses (net)	-117	1,114	-122	-240	1,632
Loss/(gain) on the sale of plant, property, and equipment (net)	-280	-34	-112	-392	-315
Loss/(gain) on the change in fair value of derivatives (net) and financial assets (net)	0	0	0	0	-420
Other non-cash transactions (net)	-5,393	-458	4,116	-1,277	8,016
Changes in working capital:	-12,864	16,687	-20,195	-33,059	11,032
Decrease/(increase) of trade receivables	-943	15,547	-11,293	-12,236	6,617
Decrease/(increase) of other receivables & prepaid expenses	-6,055	3,107	-5,499	-11,554	15,276
Decrease/(increase) of inventories	-6,055	-4,984	-2,469	-8,524	-10,620
(Decrease)/increase of trade payables	-126	-4,950	526	400	-8,499
(Decrease)/increase of other liabilities	316	7,967	-1,460	-1,144	8,257
Income taxes (paid)/received	-14	-92	-1,733	-1,747	-720
Cash Flow from operating activities	24,169	30,379	13,812	37,981	43,895
Cash Flow from investing activities:					
Payments for property, plant, equipment & intangible assets	-14,216	-7,492	-9,702	-23,917	-17,094
Proceeds from sale of financial assets	0	0	0	0	1,156
Payments for loan investments to related parties	-38	-42	-91	-129	-138
Proceeds from loan investments related parties	45	51	80	125	113
Proceeds from sale of property, plant, and equipment	285	40	117	402	318
Interest received	468	475	471	938	970
Cash Flow used in investing activities	-13,456	-6,967	-9,125	-22,582	-14,674

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Condensed Consolidated Statement of Cash Flow – con't

in thousands of USD	Quarter ended 30 Jun 2021 unaudited	Quarter ended 30 Jun 2020 unaudited	Quarter ended 31 Mar 2021 unaudited	Half-year ended 30 Jun 2021 unaudited	Half-year ended 30 Jun 2020 unaudited
Cash Flow from (used in) financing activities:					
Proceeds from loans and borrowings	4,479	8,813	0	4,479	8,813
Repayment of loans and borrowings	-4,231	-6,547	-7,619	-11,850	-12,938
Payments of lease installments	-1,529	-1,453	-1,174	-2,702	-2,811
Receipt of government grants and subsidies	0	0	0	0	696
Interest paid	-350	-260	-348	-698	-442
Distribution to non-controlling interests	0	0	-12	-12	-12
Cash Flow from (used in) financing activities	-1,630	553	-9,153	-10,783	-6,693
Effect of changes in foreign currency exchange rates on cash	217	1,084	-5,591	-5,374	-4,102
Increase/(decrease) of cash and cash equivalents	9,083	23,965	-4,466	4,617	22,527
Cash and cash equivalents at the beginning of the period	195,810	166,587	205,867	205,867	173,211
Cash and cash equivalents at the end of the period	205,109	191,636	195,810	205,109	191,636

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