

Regulated Information

X-FAB Second Quarter 2022 Results

Intermediate declaration by the Board of Directors

Tessenderlo, Belgium – July 28, 2022, 05.40 p.m. CEST

Highlights Q2 2022:

- Revenue was USD 188.8 million, at the upper end of the guided USD 180-190 million, up 17% year-on-year (YoY) and up 6% quarter-on-quarter (QoQ)
- Strong growth and continuously strong demand across all key end markets
- EBITDA margin of 22.5%, within the 20-24% guidance
- EBITDA was USD 42.5 million, down 2% YoY and up 3% QoQ
- EBIT was USD 24.0 million, down 2% YoY and up 8% QoQ

Outlook:

- Q3 2022 revenue is expected to be in the range of USD 182-192 million with an EBITDA margin in the range of 20-24%. This guidance is based on an average exchange rate of 1.02 USD/Euro.
- Management adjusts the full-year guidance to revenues in the range of USD 750-790 million and an EBITDA margin in the range of 22-25%. The full-year guidance is based on an average exchange rate of 1.06 USD/Euro.

Revenue breakdown per quarter:

in millions of USD	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q2 y-o-y growth
Automotive	40.8	65.4	83.5	82.8	81.5	83.8	89.7	98.3	19%
Industrial	23.9	27.3	32.4	35.2	38.3	39.7	41.4	42.5	21%
Medical	7.7	12.0	8.7	10.4	14.3	14.5	13.7	13.9	34%
Subtotal core business	72.3	104.7	124.6	128.4	134.1	138.0	144.9	154.7	20%
	75.2%	77.1%	80.1%	79.8%	79.3%	80.1%	81.1%	81.9%	
CCC ¹	23.7	30.9	30.6	32.4	34.7	34.0	32.5	33.6	4%
Others	0.1	0.3	0.3	0.1	0.3	0.3	1.2	0.6	
Total revenues	96.1	135.9	155.4	161.0	169.1	172.3	178.7	188.8	17%

¹ Consumer, Communications & Computer

in millions of USD	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q2 y-o-y growth
CMOS	81.1	115.0	134.9	137.5	141.8	144.2	148.6	156.3	14%
MEMS	9.8	14.6	14.4	16.2	17.4	17.5	17.9	19.8	22%
Silicon carbide	5.2	6.3	6.1	7.2	9.9	10.6	12.1	12.8	78%
Total revenues	96.1	135.9	155.4	161.0	169.1	172.3	178.7	188.8	17%



Business development

In the second quarter, X-FAB generated revenues amounting to USD 188.8 million, at the upper end of the guided USD 180-190 million, up 17% year-on-year and 6% quarter-on-quarter.

Revenues in X-FAB's core markets – automotive, industrial, and medical – reached USD 154.7 million, up 20% year-on-year and 7% quarter-on-quarter. Their share in the Group's total revenues further increased to 82%.

X-FAB recorded strong double-digit growth in the second quarter across all its key end markets and achieved record revenues in the automotive as well as industrial business. Revenues were supported by a favorable product mix, price increases as well as growth in quantities produced, reflecting the focus on increasing wafer output amidst the persisting chip shortage, but also the accelerating demand driven by the transition to electric vehicles and green energy. Silicon carbide (SiC) revenues continued to grow strongly in the second quarter amounting to USD 12.8 million, up 78% year-on-year and 5% quarter-on-quarter. In addition, the successful ramp up in volume production of X-FAB's automotive 180nm technology at X-FAB France contributed to the automotive growth of the second quarter. This brought the share of the French site's revenues based on X-FAB technologies up to 52% while the legacy business further decreased, in line with targets.

In the second quarter, X-FAB's CCC business (Consumer, Communication & Computer) recorded revenues of USD 33.6 million, up 4% year-on-year and 3% quarter-on-quarter.

Prototyping revenues in the second quarter came in at USD 20.5 million, flat year-on-year and down 17% quarter-on-quarter. This is mainly due to several customer-specific projects having reached production milestone, and thus, now being accounted as volume production revenues.

Demand continued to be strong throughout the past quarter. This is however not reflected in second quarter bookings, which totaled at USD 162.6 million compared to USD 239.3 million in the previous quarter. In light of ongoing negotiations relating to price increases as well as long-term agreements with customers, X-FAB had paused accepting firm orders for 2023 until commercial conditions are fixed. Progress is being made to achieve the target to cover about 70% of X-FAB's business with long-term agreements.

Due to persistently high demand, the allocation of capacity had to be continued throughout the quarter and X-FAB remains in close contact with its customers to agree on minimum quantities required to ensure supply chain stability on the customers' side.


Prototyping and production revenue per quarter and end market:

in millions of USD	Revenue	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q2 y-o-y growth
Automotive	Prototyping	3.0	3.5	3.6	5.0	4.1	38%
	Production	79.8	78.0	80.2	84.8	94.2	18%
Industrial	Prototyping	10.3	12.9	11.5	11.0	9.2	-11%
	Production	24.9	25.4	28.2	30.4	33.3	34%
Medical	Prototyping	2.9	4.1	4.0	3.1	1.6	-45%
	Production	7.5	10.2	10.6	10.7	12.4	64%
CCC	Prototyping	4.1	4.8	4.5	4.3	5.0	21%
	Production	28.3	29.9	29.5	28.2	28.6	1%

Operations update

Operational excellence and productivity improvements continued to be a primary focus at all manufacturing sites to meet the customers' demand. The delivery of new equipment as well as the ongoing activities to have them installed and qualified were key to eliminate production bottlenecks and increase wafer output.

X-FAB proceeded with its capacity expansion program across all sites to prepare for the expected long-term growth and kicked off a major expansion project at X-FAB Sarawak, Malaysia. In line with the high demand for the automotive 180nm technology, X-FAB plans to invest more than USD 500 million over the next three years to significantly increase manufacturing capacity of this technology platform. Once the investment is completed, the site's processing capacity will increase by about 50%.

Full-year capital expenditures are expected to come in at around USD 200 million. In the second quarter, they totaled USD 36.8 million, down 25% from the previous quarter. This is partially due to the longer than expected delivery schedules for equipment due to current tight supply chains. Thanks to the risk mitigation measures that X-FAB has put in place to ensure a reliable supply of raw materials, there were no supply bottlenecks impacting X-FAB's production in the second quarter.

X-FAB also continued to expand capacities for SiC processing as well as SiC epitaxy, thus responding to the accelerating demand. Quarterly SiC bookings came in at USD 14.8 million, up 21% year-on-year and down 31% quarter-on-quarter following an extraordinarily strong previous quarter. The development of standard SiC process blocks, which allow customers to benefit from faster technology releases and a reduced time-to-market, keeps drawing interest from new customers, resulting in a marked increase of X-FAB's SiC customer base.



Financial update

Second quarter EBITDA was USD 42.5 million with an EBITDA margin of 22.5%, within the guided 20-24%. Despite strong revenue growth, the EBITDA margin went down 0.5 percentage points compared to the previous quarter. Rising costs continued to put some pressure on margins. Additionally, there was an exceptional item concerning the award of an arbitration between X-FAB and a supplier. X-FAB made a provision for a portion of the award. This relates to interest payments in the amount of USD 12.4 million in the finance result as well as legal fees of USD 1.4 million in the general & administrative expenses.

In absolute terms, EBITDA was up 3% quarter-on-quarter and down 2% year-on-year due to a favorable one-off effect in the second quarter last year related to USD 6.5 million received in the context of a Covid-19-related government support scheme. Excluding this, the EBITDA increased 15% year-on-year.

Cash and cash equivalents at the end of the second quarter amounted to USD 250.8 million, down 3% compared to the previous quarter end.

With a share of Euro-denominated sales amounting to 42% during the second quarter, the current weakness of the Euro had a negative impact on revenues. At a constant US-Dollar/Euro exchange rate of 1.20 as experienced in the previous year's quarter, revenues of the second quarter would have been USD 10.5 million higher and EBITDA margin would have been 22.5%.

Management comments

Rudi De Winter, CEO of X-FAB Group, said: "In the current economic environment that is marked by a high level of uncertainty, I am very glad about the business X-FAB is in. We continue to see an unprecedented strong demand for our technologies, which is mainly driven by the accelerating electrification. This holds particularly true for the automotive market, where X-FAB has a strong presence. I would like to thank all X-FAB employees for being strongly engaged to maintain production lines running at full steam despite the challenges arising from Covid-19-related higher absence rates as well as increased logistical challenges."

Procedures of the independent auditor

The statutory auditor, KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises BV/SRL, represented by Jos Briers, has confirmed that the audit procedures, which have been substantially completed, have not revealed any material misstatement in the accounting information included in this press release as of and for the six months ended June 30, 2022.



X-FAB Quarterly Conference Call

X-FAB's second quarter results will be discussed in a live conference call on Thursday, July 28, 2022, at 6.30 p.m. CEST. The conference call will be in English. Please register in advance of the conference using the following link: <https://cossprereg.btc.com/prereg/key.process?key=PYG6B3TET>.

The conference call will be available for replay for ten days following the event. Please call +1 617 801 6888 and enter the following passcode: 79065081.

The third quarter 2022 results will be communicated on October 27, 2022.

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 approx. 4,000 people worldwide. For more information, please visit www.xfab.com.

X-FAB Press Contact

Uta Steinbrecher
Investor Relations
X-FAB Silicon Foundries
+49-361-427-6489
uta.steinbrecher@xfab.com

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 2022 unaudited	Quarter ended 30 Jun 2021 unaudited	Quarter ended 31 Mar 2022 unaudited	Half-year ended 30 Jun 2022 unaudited	Half-year ended 30 Jun 2021 unaudited
Revenue	188,832	160,955	178,664	367,495	316,375
Revenues in USD in %	58	66	59	59	67
Revenues in EUR in %	42	33	40	41	33
Cost of sales	-142,870	-119,230	-135,422	-278,292	-239,649
Gross Profit	45,962	41,725	43,241	89,203	76,726
Gross Profit margin in %	24.3	25.9	24.2	24.3	24.3
Research and development expenses	-9,920	-8,692	-10,759	-20,679	-17,174
Selling expenses	-1,968	-2,008	-2,149	-4,117	-4,127
General and administrative expenses	-10,495	-7,649	-8,732	-19,226	-15,800
Rental income and expenses from investment properties	187	668	292	478	1,295
Other income and other expenses	257	559	331	588	714
Operating profit	24,023	24,602	22,223	46,247	41,635
Finance income	8,585	3,470	7,092	15,677	7,753
Finance costs	-24,153	-3,104	-8,490	-32,643	-10,271
Net financial result	-15,567	366	-1,398	-16,966	-2,518
Profit before tax	8,456	24,968	20,825	29,281	39,117
Income tax	-1,539	1,769	-1,450	-2,988	395
Profit for the period	6,917	26,737	19,375	26,293	39,512
Operating profit (EBIT)	24,023	24,602	22,223	46,247	41,635
Depreciation	18,442	18,718	18,808	37,250	37,269
EBITDA	42,465	43,320	41,031	83,496	78,903
EBITDA margin in %	22.5	26.9	23.0	22.7	24.9
Earnings per share at the end of period	0.05	0.20	0.15	0.20	0.30
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	1.06719	1.20429	1.12305	1.09491	1.20528

Amounts in the financial tables provided in this press release are rounded to the nearest thousand except when otherwise indicated, rounding differences may occur.

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Condensed Consolidated Statement of Financial Position

in thousands of USD	Quarter ended 30 Jun 2022 unaudited	Quarter ended 30 Jun 2021 unaudited	Year ended 31 Dec 2021 audited
ASSETS			
Non-current assets			
Property, plant, and equipment	397,012	325,812	340,670
Investment properties	8,070	8,265	8,310
Intangible assets	6,227	4,807	4,034
Other non-current assets	8	48	28
Deferred tax assets	45,143	33,223	45,645
Total non-current assets	456,459	372,156	398,687
Current assets			
Inventories	198,427	162,235	181,014
Trade and other receivables	90,472	66,994	73,689
Other assets	49,473	48,641	43,354
Cash and cash equivalents	250,828	205,109	290,187
Total current assets	589,200	482,979	588,244
TOTAL ASSETS	1,045,659	855,135	986,931
EQUITY AND LIABILITIES			
Equity			
Share capital	432,745	432,745	432,745
Share premium	348,709	348,709	348,709
Retained earnings	-9,598	-80,465	-36,154
Cumulative translation adjustment	123	-594	-559
Treasury shares	-770	-770	-770
Total equity attributable to equity holders of the parent	771,209	699,626	743,971
Non-controlling interests	368	341	365
Total equity	771,576	699,967	744,335
Non-current liabilities			
Non-current loans and borrowings	33,697	34,899	39,916
Other non-current liabilities and provisions	3,996	4,241	5,686
Total non-current liabilities	37,693	39,140	45,602
Current liabilities			
Trade payables	43,157	26,809	41,364
Current loans and borrowings	105,040	24,321	87,114
Other current liabilities and provisions	88,192	64,898	68,515
Total current liabilities	236,389	116,029	196,993
TOTAL EQUITY AND LIABILITIES	1,045,659	855,135	986,931

Condensed Consolidated Statement of Cash Flow

in thousands of USD	Quarter ended 30 Jun 2022 unaudited	Quarter ended 30 Jun 2021 unaudited	Quarter ended 31 Mar 2022 unaudited	Half-year ended 30 Jun 2022 unaudited	Half-year ended 30 Jun 2021 unaudited
Income before taxes	8,456	24,968	20,825	29,281	39,117
Reconciliation of net income to cash flow arising from operating activities:	36,295	12,079	20,944	57,239	33,670
Depreciation and amortization, before effect of grants and subsidies	18,442	18,718	18,808	37,250	37,269
Recognized investment grants and subsidies netted with depreciation and amortization	-841	-848	-874	-1,715	-1,689
Interest income and expenses (net)	13,015	-117	183	13,198	-240
Loss/(gain) on the sale of plant, property, and equipment (net)	-19	-280	-158	-177	-392
Other non-cash transactions (net)	5,698	-5,393	2,985	8,683	-1,277
Changes in working capital:	-21,335	-12,864	-32,183	-53,518	-33,059
Decrease/(increase) of trade receivables	-15,479	-943	-8,637	-24,115	-12,236
Decrease/(increase) of other receivables & prepaid expenses	-918	-6,055	-5,799	-6,717	-11,554
Decrease/(increase) of inventories	-3,062	-6,055	-14,349	-17,411	-8,524
(Decrease)/increase of trade payables	-3,341	-126	-2,014	-5,356	400
(Decrease)/increase of other liabilities	1,466	316	-1,384	82	-1,144
Income taxes (paid)/received	-108	-14	-107	-215	-1,747
Cash Flow from operating activities	23,308	24,169	9,479	32,787	37,981
Cash Flow from investing activities:					
Payments for property, plant, equipment & intangible assets	-36,760	-14,216	-48,847	-85,606	-23,917
Payments for loan investments to related parties	-35	-38	-114	-148	-129
Proceeds from loan investments related parties	62	45	98	160	125
Proceeds from sale of property, plant, and equipment	64	285	164	228	402
Interest received	275	468	237	512	938
Cash Flow used in investing activities	-36,393	-13,456	-48,462	-84,855	-22,582



Condensed Consolidated Statement of Cash Flow – con't

in thousands of USD	Quarter ended 30 Jun 2022 unaudited	Quarter ended 30 Jun 2021 unaudited	Quarter ended 31 Mar 2022 unaudited	Half-year ended 30 Jun 2022 unaudited	Half-year ended 30 Jun 2021 unaudited
Cash Flow from (used in) financing activities:					
Proceeds from loans and borrowings	15,281	4,479	7,261	22,542	4,479
Repayment of loans and borrowings	-1,367	-4,231	-2,803	-4,170	-11,850
Receipts of sale & leaseback arrangements	0	0	7,723	7,723	0
Payments of lease installments	-1,258	-1,529	-1,759	-3,017	-2,702
Interest paid	-432	-350	-139	-571	-698
Distribution to non-controlling interests	0	0	-11	-11	-12
Cash Flow from (used in) financing activities	12,224	-1,630	10,271	22,495	-10,783
Effect of changes in foreign currency exchange rates on cash	-7,581	217	-2,205	-9,786	-5,374
Increase/(decrease) of cash and cash equivalents	-861	9,083	-28,712	-29,573	4,617
Cash and cash equivalents at the beginning of the period	259,271	195,810	290,187	290,187	205,867
Cash and cash equivalents at the end of the period	250,828	205,109	259,271	250,828	205,109

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