TOPSIL UPDATE
Q1 2014

Jyske Bank 28 May 2014

TOPSIL

AGENDA

- **Q1 2014 highlights**
- Financial Performance Q1
- Expectations for 2014

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MARKET EXPECTATIONS UNCHANGED

MARKET DEVELOPMENT

- Customers: Retained expectations of moderate volume growth for the year.
- Silicon industry (Gartner, IDC, Semico): Retained expectations of volume growth in market for silicon wafers.
- Price pressure (SEMI, Yole).
- Yole Developpement: Growth forecast for the power market in the range of 3-8% in 2014.

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REVENUE AND EARNINGS DEVELOPMENT

FINANCIAL RESULTS

- Revenue DKK 73.4 million, up 3.7% against Q1 2013 (DKK 70.7 million).
- Contribution margin 48.7% against 49.6% Q1 2013 and 46.3% for 2013. Year-on-year improvement due to production efficiency measures partly offset by price pressure.
- Other external costs and staff costs up by DKK 0.8 million compared to Q1 2013 related to new production staff hired to handle growing production volume. Result inclusive of interim cost in region of DKK 1 million related to moving production and to production at two locations in Frederikssund.
- EBITDA DKK 3.3 million at level with Q1 2013 (DKK 3.4 million).
- Net working capital (NWC) DKK 147.4m, up by DKK 7.3m vs. end of 2013 due to increase in trade receivables and increase in inventories partly caused by a change in transport procedures for incoming raw materials.
- Cash outflow from operating activities DKK 10.4 million. Investments DKK 4.8 million in production equipment and development projects (Q1 2013: Cash outflow of 1.4 million, investments of DKK 5.6 million).
- Retained guidance for year: Revenue at level with 2013, which was favourably affected by one-time orders in Q2 for about DKK 10 million. EBITDA as a minimum at the 2013 level, as efficiency improvements and cost reductions in production and the supply chain are expected to compensate for the lower prices.

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EVENTS IN QUARTER

Four key points:

- STRENGTHEN POSITION IN HIGH AND MEDIUM POWER, ESPECIALLY PFZ AND NEXT GENERATION WAFERS (200 MM)
- EXPAND POSITION IN JAPAN AND CHINA
- REDUCE WORKING CAPITAL AND INCREASE CASH FLOWS FROM OPERATIONS
- INCREASE CAPACITY AND ENHANCE PRODUCTION EFFICIENCY

- Strategy:
  - Japan: Ongoing customer qualifications. Agreement with local partner on sales and market development of ultra-pure silicon products in Japan.
  - Framework agreements with two Chinese customers on supply of ultra-pure silicon for transport and energy infrastructure purposes in China, 2014-2017.
  - Expanded business between Topsil and contract customer. Topsil to implement a new wafer technology which will support the customer's efforts to enhance its production efficiency for power components.
- New plant: Moved machinery to new plant gradually started up. Maintained expectations of close-down of old plant towards end of current year.
- Complaint from major customer, expectedly attributable to third-party supplier, no material impacts on result of operations expected.

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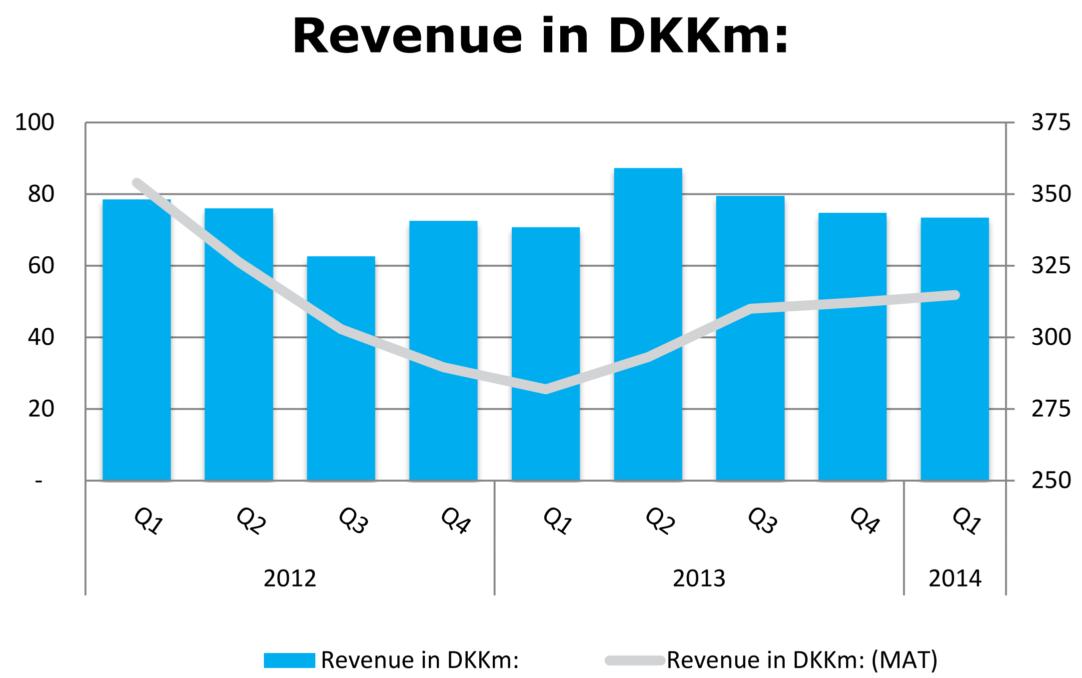
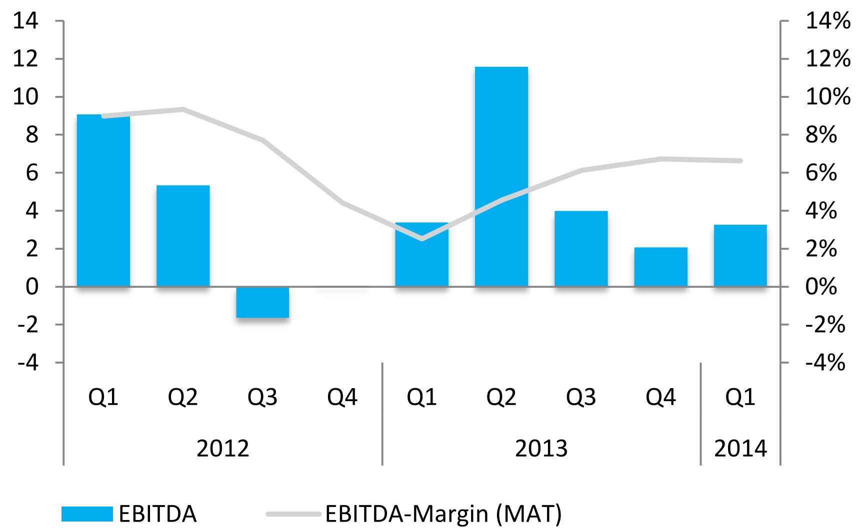
REVENUE UP VS. Q1 2013



- **Revenue growth**
  - Q1 2014: DKK 73.4m (+3.7%)
- **Revenue development in line with expectations.**
- **Sales of silicon ingots and wafers up DKK 2.8m (+4.0%)**

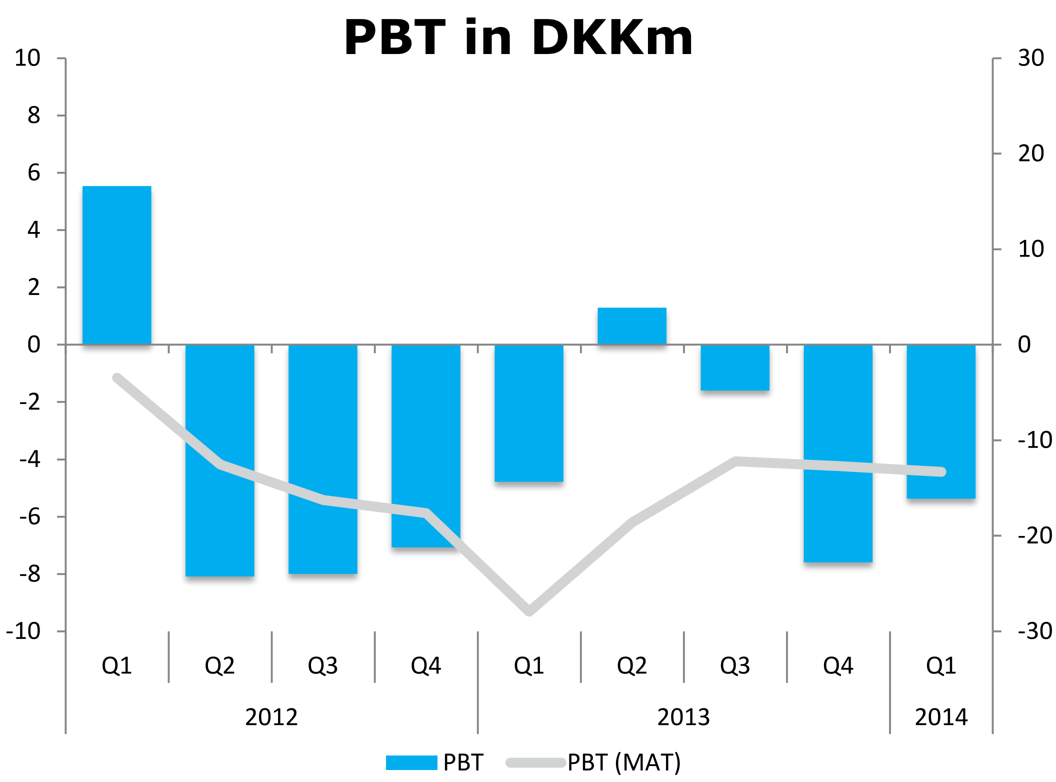
EBITDA MARGIN AT LEVEL WITH Q1 2013

EBITDA & EBITDA-margin



- **Contribution margin 48.7% (Q1 2013: 49.6%, FY2013 46.3%)**
  - Increased price pressure
  - Efficiency improvements
- **Fixed costs increased by DKK 0.8m (2%) in Q1 compared to Q1 2013**
  - More staff to handle increased order volume
  - Costs related to moving production and parallel production, two facilities, Denmark, unchanged app. DKK 1m.
- **Consolidated EBITDA of DKK 3.3m (Q1 2013 DKK 3.4m)**
  - EBITDA-margin of 4.4% (Q1 2013: 4.8%)

PROFIT BEFORE TAX



- **Depreciations at DKK 7.3m (DKK 5.8m)**
  - Greenfield and new equipment depreciated from April and Sept. 2013, respectively.
- **Net financials at DKK (1.3)m (DKK (2.3)m).**
  - Favourably affected by exchange rate adjustments of DKK 0.8m.
- **Net result at DKK (5.2)m (DKK (4.6)m)**

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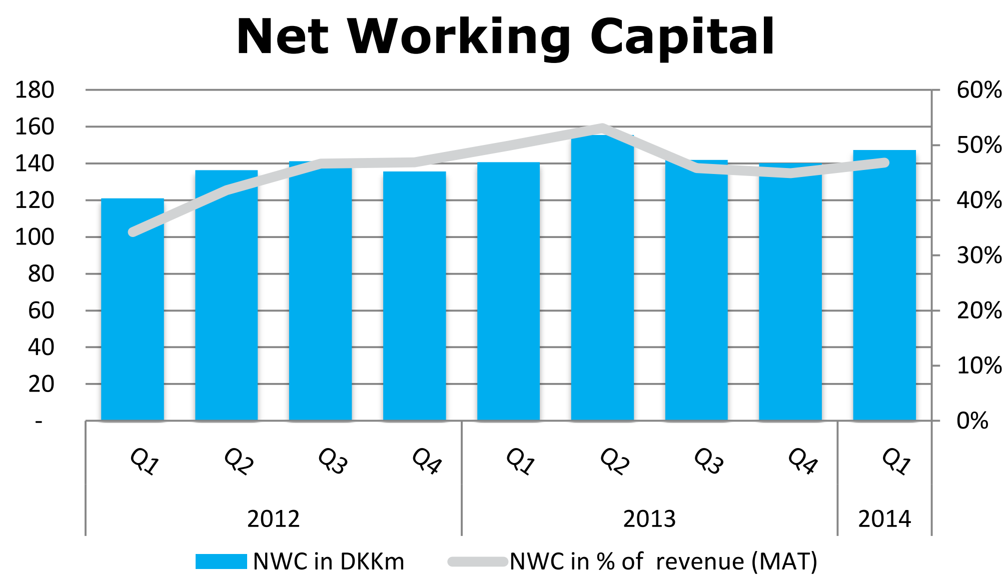
NET WORKING CAPITAL



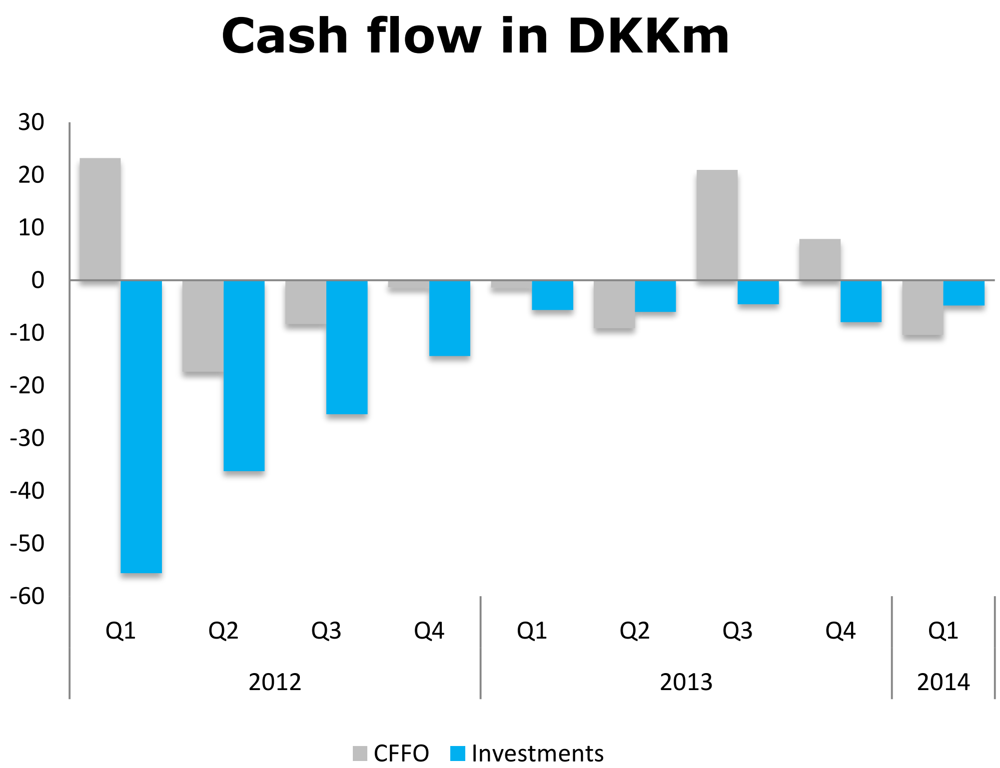
- **Net working capital (NWC) DKK 147.4m, representing an increase of DKK 7.3 vs. beginning of year**

- Inventories DKK 149.2m, up DKK 4.8m (+3%) vs. end of 2013, partly result of a change in transportation procedures for incoming raw materials to reduce costs. Partly offset by longer credit periods.

- Accounts receivables DKK 49.7m, increased DKK 3.3m (+7%) vs. end of 2013.

- Accounts payables DKK 37.4m, increased DKK 0.9m (+2%) vs. end of 2013.

CASH FLOW DEVELOPMENT



- Cash flow from operations (CFFO) totaling DKK (10.4)m in Q1 (Q1 2013: DKK (1.4)m).
- CAPEX driven by investments in production equipment DKK 3.1m and in development projects of DKK 1.7m. (Q1 2013: DKK 5.6m)
- Net interest bearing debts up by DKK 15.2m in quarter ending at 175.9m in line with expectations.

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EXPECTATIONS FOR 2014

Revenue for 2014 is expected to be at the 2013 level, which was favourably affected by one-time orders in Q2 for about DKK 10 million.

For 2014, EBITDA is expected, as a minimum, to be at the 2013 level, as efficiency improvements and cost reductions in production and the supply chain are expected to compensate for the lower prices.

EBITDA in Q2 2013 was favourably affected by one-time orders. For 2014, Q2 performance is expected to be weaker than in the year-earlier period, while a stronger end-year performance is expected.

Guidance includes temporary costs of operating at two locations in Denmark and one-off costs related to the planned move of all production to the new plant and closure of the old plant. These costs are estimated to be in the region of DKK 5 million.

Demand for semiconductors is expected to rise over the next 12 months (Gartner, IDC, Semico), and volume growth is expected in the market for silicon wafers, although prices will continue to be squeezed as a result of surplus capacity and price adjustments reflecting the lower exchange rate of the Japanese yen (Yole, SEMI). Topsil's customers confirm this projection.

Topsil expects that its strategic growth initiatives will help win further market share in 2014. The highest growth is expected in Asia, and especially in the market for silicon products for the medium voltage segment (PFZ).

The guidance is based on exchange rates of DKK 550/USD 100 and DKK 180/PLN 100..

DISCLAIMER: This presentation includes forward-looking statements reflecting management's current expectations for certain future events and financial performance. Forward-looking statements are inherently subject to uncertainties, and results may differ significant from expectations. Factors that may cause the actual results to differ from expectations includes, but are not limited to, developments in the economy and financial markets, changes in the silicon market, market acceptance of new products and the introduction of competing products. Topsil is only obliged to update and adjust the expectations if so required by Danish legislation and the Danish law on securities trading, etc.

Kalle Hvidt Nielesen
CEO
E-mail: khn@topsil.com

Jesper Bodeholt
CFO
E-mail: jeb@topsil.com

Topsil Semiconductor Materials A/S
Siliciumvej 1
DK-3600 Frederikssund

Phone: +45 47 36 56 00
Fax: +45 47 36 56 01
E-mail: topsil@topsil.com

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