

TOPSIL UPDATE

Q3 2014

Jyske Bank 26 November 2014

AGENDA

- **Q3 2014 highlights**
- Financial Performance Q3
- Expectations for 2014

MARKET EXPECTATIONS UNCHANGED

MARKET DEVELOPMENT

- Continued price pressure: Weak yen and overcapacity in market.
- SEMI: Volume growth on industry sales of silicon wafers, up by 7% 2014 compared to 2013.
- Other sources (WSTS, Gartner, Cowan) continue to expect volume growth 2014, 7-10%.
- Yole Developpement: Growth forecast for the power market unchanged in the range of 3-8% in 2014 in terms of value.

REVENUE AND EARNINGS DEVELOPMENT

HIGHLIGHTS OF THE QUARTER

- Revenue DKK 65.8m Q3 against DKK 79.4m Q3 2013. Revenue adversely affected by customer complaint. New sales of DKK 4.7m to customer.
- EBITDA loss of DKK 3.8m against profit of DKK 4.0m Q3 2013.
- Result adversely affected by claim at the level of DKK 5m, expected to become compensated in Q4, and consequently is not expected to impact the full-year results.
- Contribution margin 46.2% against 42.4% Q3 2013. Improvement driven by mix and production efficiency.
- Cash flows from operating activities were an outflow of DKK 2.1m in Q3 2014 compared to an inflow of 20.9m in Q3 2013. The cash flows for investing activities were DKK 3.6m.
- Net working capital DKK 131.1m, a reduction of DKK 10.9m compared to 30 September 2013.
- Guidance specified to lower end of previously forecast range of revenue in the range of DKK 270-290 million and EBITDA in the range of DKK 0-10 million. Following the customer complaint issue, the updated revenue and EBITDA guidance for the full year is subject to significantly greater uncertainty than would normally be the case, just as the issue of compensation has not yet been clarified with the customer and the third-party contractor.

CUSTOMER CLAIM UPDATE

- Technical investigation of the customer complaint in its final stage, Topsil has received a provisional claim for compensation from the customer and has raised a claim against the third-party contractor.
- As a consequence of the complaint, Q3 results were adversely affected at the level of DKK 5 million, which is expected to be compensated for in the course of Q4, and which is consequently not expected to impact the full-year results.
- Defects have been identified in some of the replacement wafers delivered and, as a result, the deliveries have been suspended.
- Topsil has worked closely with both the customer and the third-party contractor in the process of identifying the root cause of the defect and believes to have identified the source of the defect at the third-party contractor.
- The customer's provisional claim for compensation does not include the defect in the replacement wafers delivered and the outlook for the full year does not include any costs in that respect.

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

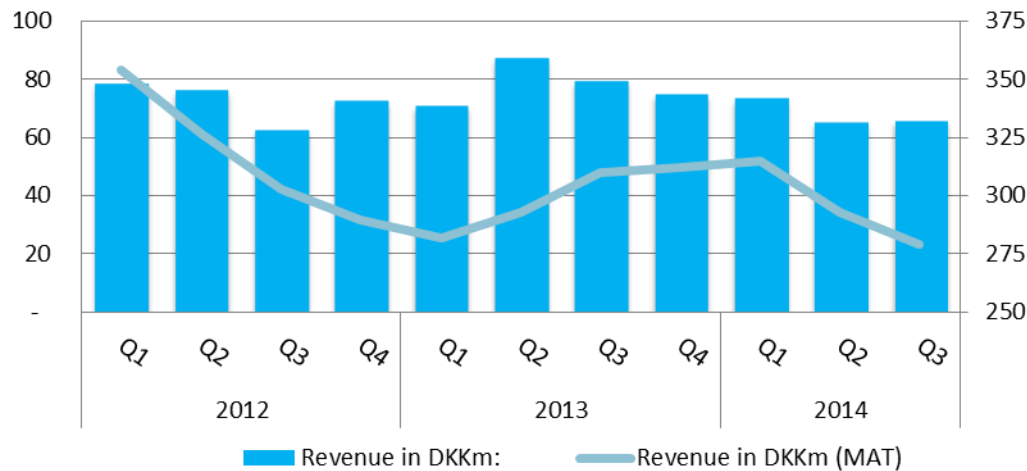
- New sales management in place to strengthen Topsil's sales efforts.
- Next version 150mm float zone silicon wafers approved by first customer and delivery started up. Products build on 200mm process and technology, supporting a substantially more efficient production process at the customer as well as at Topsil.
- Other efficiency activities proceeded according to plan and are expected to have favourable effect on production costs for silicon wafers.
- Production at the former production facility stopped in October and float zone pullers have been transferred to the new plant. Topsil expects to vacate the old facility by the end of the year.

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REVENUE Q3

Revenue



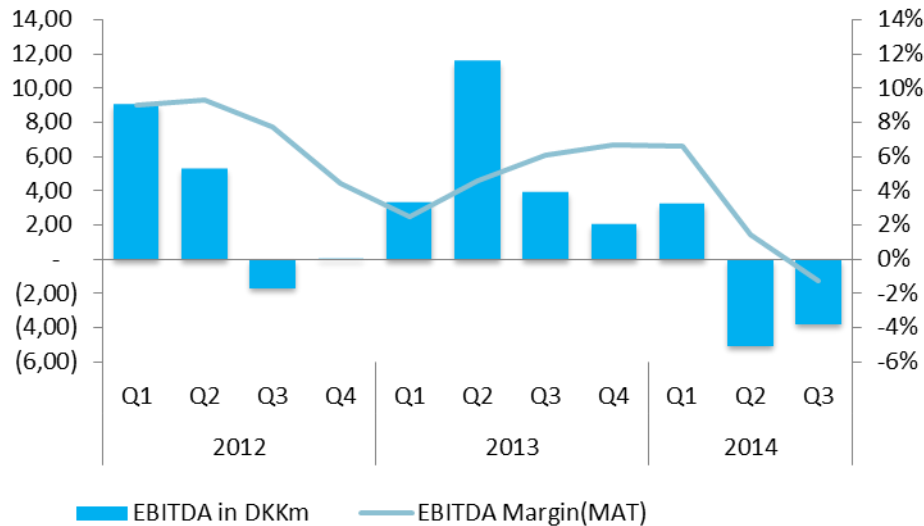
Revenue development

- Q3 2014: DKK 65.8m (down by 17.2%).
- Q1-Q3 2014: : DKK 204.5m (Q1-Q3 2013 DKK 237.4m).

Revenue negatively impacted by customer claim.

EBITDA MARGIN Q3

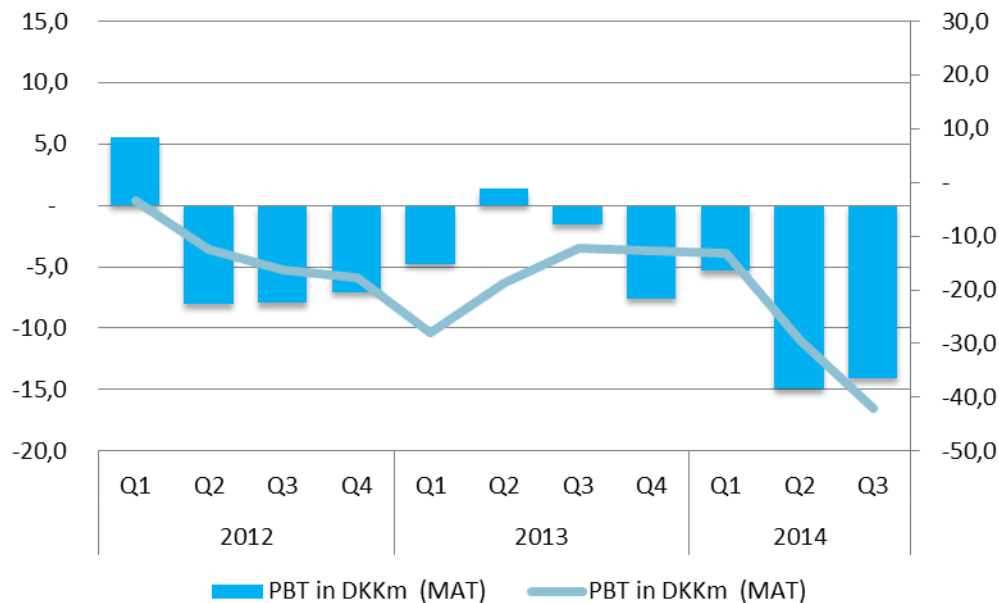
EBITDA



- **Contribution margin 46.2% in Q3 (Q3 2013: 42.4%)**
 - Product mix
 - Production efficiency
- **Fixed costs increased by DKK 4.4m in Q3 compared to Q3 2013.**
 - Costs inclusive of costs related to complaint issue at the level of DKK 5m and provision for severance pay for a former Sales Director
- **Consolidated Q3 EBITDA of DKK (3.8)m (Q3 2013 DKK 4.0m)**
 - EBITDA-margin of (5.7)% (Q3 2013: 5.0%)

PROFIT BEFORE TAX Q3

Profit Before Tax



— **Depreciations at DKK 7.1m at level with Q3 2013**

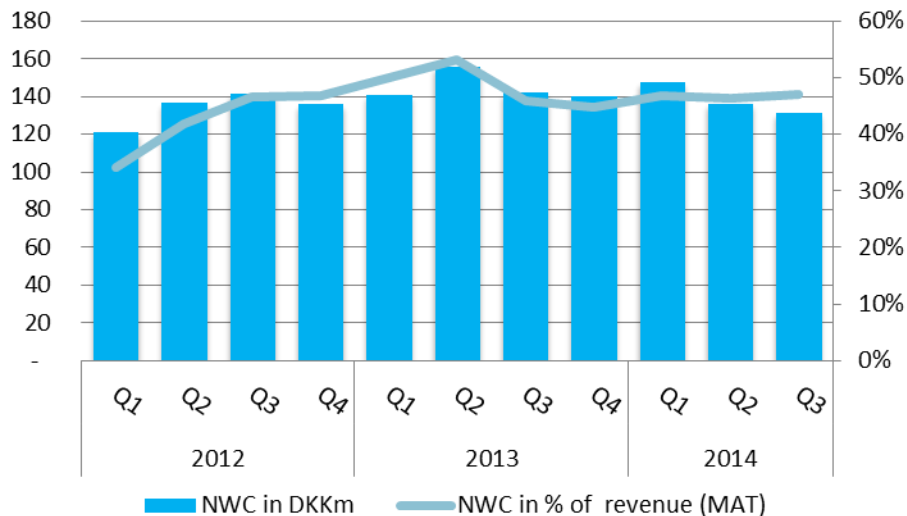
- 200mm development project completed Q3 2014, depreciations initiated
- Depreciations in the region of DKK 1.1m per year

— **Net financials at DKK (3.2)m (DKK 1.5m).**

— **Loss after tax DKK 13.7m. (Loss of DKK 0.7m Q3 2013).**

NET WORKING CAPITAL Q3

Net Working Capital

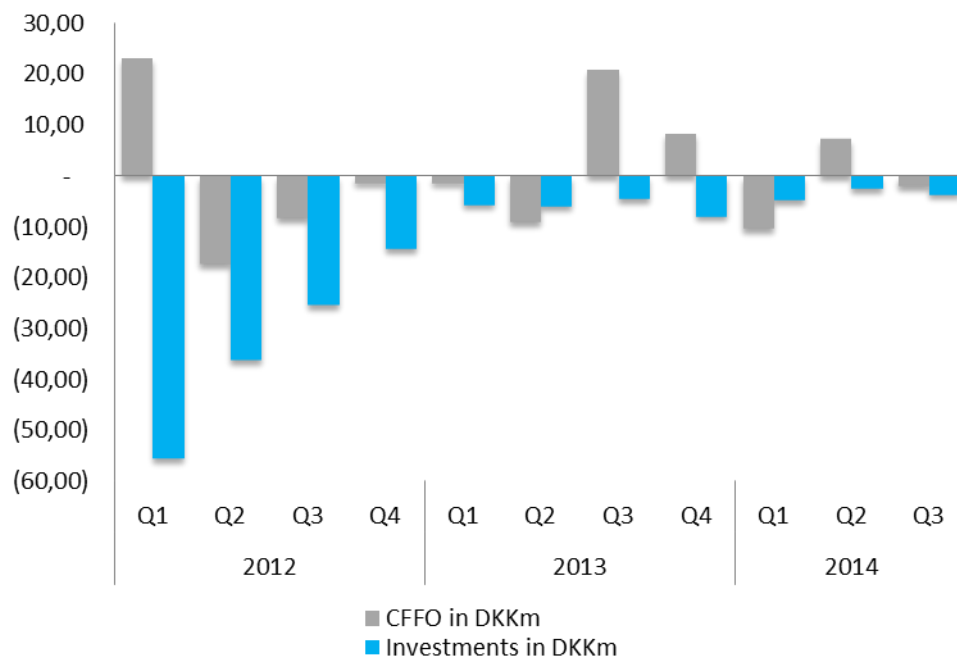


— **Net working capital (NWC) DKK 131.1m, representing a decline of DKK 10.9m vs. corresponding period 2013**

- Inventories DKK 145.9m, down DKK 1.2m vs. end of Q3 2013.
 - Inventories to be expected to increase towards end of year due to poly purchase obligations
- Accounts receivables DKK 32.5m, down by DKK 23.2m vs. end of Q3 2013.
- Other receivables DKK 16.6m, up DKK 10.8m, increase mainly a receivable from a third-party contractor as a result of the customer complaint.

CASH FLOW DEVELOPMENT Q3

Cash flow in DKKm



- Net interest bearing debts up by DKK 4.8m in quarter ending at 175.9m, an increase of DKK 19.5 compared to the corresponding period of 2013.
- Cash flow from operations (CFFO) totaling an outflow of DKK 2.1m in Q3 (Q3 2013: inflow of DKK 20.9m).
- CAPEX driven by investments in production equipment DKK 3.3m and in development projects of DKK 0.3m. (Q3 2013: DKK 4.5m)

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EXPECTATIONS FOR 2014

Guidance specified to lower end of previously forecast range of revenue in the range of DKK 270-290 million and EBITDA in the range of DKK 0-10 million.

The 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.

Following the customer complaint issue, the updated revenue and EBITDA guidance for the full year is subject to significantly greater uncertainty than would normally be the case, just as the issue of compensation has not yet been clarified with the customer and the third-party contractor.

The guidance is based on exchange rates of DKK 575/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.

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