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TOPSIL SEMICONDUCTOR MATERIALS A/S
Interim report, Q1 2014
Three months ended 31 March 2014

INCREASED LEVEL OF ACTIVITY IN JAPAN AND CHINA

"We continue to execute Topsil's strategy. Our revenue grew by almost 4% year on year in Q1, and we increased our level of activity in Japan and China in order to strengthen our market position. Prices on the power market remained squeezed. Our efficiency efforts are bearing fruit, and that had a positive impact on Q1 earnings." Kalle Hvidt Nielsen, CEO

HIGHLIGHTS OF THE QUARTER

- Revenue totalled DKK 73.4 million in Q1, up from DKK 70.7 million in Q1 2013 (+3.7%).
- The contribution margin was 48.7%, against 49.6% in the year-earlier period and 46.3% for 2013 as a whole. The year-on-year improvement was due to a number of production efficiencies, which were partly offset by increased price pressure.
- Other external costs and staff costs were DKK 32.5 million, up from DKK 31.7 million in Q1 2013. This marginal increase in the cost base related to a number of new production staff that were hired to handle a growing production volume. Interim costs in the region of DKK 1 million were incurred in the quarter in relation to moving production and to production at two locations in Frederikssund.
- Operating profit before depreciation and amortisation (EBITDA) was DKK 3.3 million in Q1 2014 against DKK 3.4 million in Q1 2013, bringing the EBITDA margin to 4.4% against 4.8% in the year-earlier period.
- Working capital increased by DKK 7.3 million in Q1 and was DKK 147.4 million as at 31 March 2014. The increase mainly represented an increase in trade receivables and an increase in inventories that was partly caused by a change in the transport procedures for incoming raw materials.
- Cash flows from operating activities were an outflow of DKK 10.4 million in Q1 2014 against an outflow of DKK 1.4 million in Q1 2013. The cash flow from investing activities was an outflow of DKK 4.8 million.
- At the beginning of the year, Topsil signed a sales and market development agreement with a Japanese partner for the strategically important Japanese market.
- In April, framework agreements were signed with two large Chinese customers. The agreements concern the supply of silicon for energy infrastructure projects and for transportation purposes from 2014 to 2017.

GUIDANCE FOR 2014 RETAINED

The Group retains its guidance for the full year. Topsil expects revenue for 2014 to be on a level with 2013, 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 unchanged from the 2013 level, as efficiency improvements and cost reductions in production and the supply chain are expected to compensate for the lower prices.

FINANCIAL HIGHLIGHTS FOR THE GROUP (UNAUDITED)

DKK'000	Q1 2014	Q1 2013	FY 2013
Income statement:			
Revenue	73,352	70,721	312,102
Earnings before interest, tax, depreciation and amortisation (EBITDA)	3,253	3,372	20,996
Operating profit/(loss) (EBIT)	(4,095)	(2,464)	(6,395)
Net financials	(1,284)	(2,327)	(6,315)
Profit/(loss) for the period after tax	**(5,239)**	**(4,592)**	**(9,790)**
Of which attributable to parent company shareholders	(5,325)	(4,352)	(9,382)
Cash flow statement:			
Cash flows from operating activities	(10,405)	(1,367)	18,321
Cash flows from investing activities	(4,785)	(5,631)	(24,065)
Balance sheet:			
Share capital	132,029	132,029	132,029
Equity attributable to parent company shareholders	371,403	379,800	376,668
Equity attributable to non-controlling shareholders	17,135	17,302	17,286
Total consolidated equity	388,538	397,102	393,954
Total assets	659,008	671,347	656,624
Invested capital	566,299	517,318	557,011
Net interest-bearing debt	173,647	158,905	158,469
Net working capital (NWC)	147,351	140,649	140,106
Financial ratios:			
EBITDA margin (%)	4.4	4.8	6.7
EBIT margin/profit margin (%)	(5.6)	(3.5)	(2.0)
Return on invested capital (%)	(0.7)	(0.5)	(1.1)
Contribution ratio (%)	48.7	49.6	46.3
Equity ratio	59	59	60
Return on equity (%)	(1.3)	(1.2)	(2.5)
Current number of shares ('000)	528,114	528,114	528,114
Earnings per share (DKK)	(0.01)	(0.01)	(0.02)
Price per share (DKK)	0.68	0.40	0.71
Average number of employees (FTE)	359	352	344

FINANCIAL PERFORMANCE

MARKET DEVELOPMENTS

Topsil's customers are retaining their expectations of moderate growth in 2014. Sources in the semiconductor industry (Gartner, IDC, Semico, and others) retain their expectations of volume growth in the market for silicon wafers.

Yole Developpement, which specifically engages in power market research, and the industry organisation SEMI both continue to expect price pressures as a result of the weak Japanese yen and surplus capacity in the market. Yole Developpement expects aggregate growth in the power market of 3-8% for the year 2014.

STRATEGY

Launched in August 2012, Topsil's strategy "Executing on Opportunities" is based on the following main themes.

1. **To increase focus on the type of products we expect to show the highest growth rates in the coming years, especially PFZ and next-generation silicon wafers (200 mm).**

2. **To establish a stronger position on the strategically important Japanese and Chinese markets**

3. **To reduce working capital and increase the cash flow from operating activities**

4. **To increase capacity and make production more efficient**

The primary milestones in the period were:

The high level of activity in Japan continued, including a number of ongoing customer qualifications. Topsil signed an agreement with a local partner for the sale and market development of ultra-pure silicon products on the strategically important Japanese market.

After machinery for the manufacture of ultra-pure silicon was moved to the new plant last year, production was gradually started up. Topsil still expects to close down the old production plant towards the end of the current year.

In April, framework agreements were signed with two large Chinese customers for the delivery of ultra-pure silicon for transportation and energy infrastructure purposes in China. The agreements cover the period from 2014 to 2017. One of the agreements is for the new 200 mm products.

In April, the scope of the business with an existing contract customer was expanded. Under an agreement with the customer, Topsil will implement a new wafer processing technology that will support the customer's efforts to enhance production efficiency for power components.

Growing revenue

Revenue for Q1 2014 grew by 3.7% to DKK 73.4 million from DKK 70,7 million in the year-earlier period.

Sales of silicon totalled DKK 69.8 million, up from DKK 67.0 million in Q1 2013, equivalent to a growth rate of 4.0%. The increased price pressure in the market was unchanged during the quarter and was due to the weak yen and surplus capacity in the market.

Production

The contribution margin was 48.7% in Q1 2014 against 49.6% in the year-earlier period, and 46.3% for 2013 as a whole. The improvement compared with the full year reflects the implementation of a number of production efficiency improvements, partly offset by increased price pressures.

Topsil has received a complaint from a major customer regarding the quality of silicon wafers supplied. The error is expectedly attributable to a third-party supplier, and Topsil estimates that the complaint will not have a material impact on its results of operations.

Cost base under control

Other external costs and staff costs were DKK 32.5 million in Q1 2014 against DKK 31.7 million in Q1 2013. This marginal increase in the cost base related to a number of new production staff that were hired to handle a growing production volume.

The first quarter of 2014 included interim costs in the region of DKK 1 million relating to moving production and to parallel production lines at two locations in Frederikssund.

EBITDA on a level with last year

EBITDA was DKK 3.3 million in Q1 2014, against DKK 3.4 million in Q1 2013, equivalent to an EBITDA margin of 4.4%.

Depreciation for Q1 2014 was DKK 7.3 million, up from DKK 5.8 million in Q1 2013. The increase was due to depreciation in respect of the Greenfield project and new production equipment respectively.

Financials amounted to an expense of DKK 1.3 million in Q1 2014, down from an expense of DKK 2.3 million in Q1 2013. Exchange rate adjustments lifted financials by DKK 0.8 million.

Profit/(loss) for the period

Topsil posted a loss after tax of DKK 5.2 million in Q1 2014 against a loss of DKK 4.6 million in Q1 2013.

Balance sheet

Consolidated non-current assets totalled DKK 437.8 million at 31 March 2014, representing a reduction of DKK 4.4 million from the beginning of 2014. The decline was due to investments being lower than depreciation charges, and contractual reductions of deposits underlying performance bonds to suppliers.

Topsil's net working capital stood at DKK 147.4 million at 31 March 2014 against DKK 140.1 million at the beginning of the year. The increase was related to a DKK 3.3 million increase in trade receivables and a DKK 4.8 million increase in funds tied up in inventories, partly as a result of a change in the transportation procedures for incoming raw materials in order reduce costs. This was partly offset by longer credit periods for raw material purchases.

Loan facilities with Topsil's main bankers were reclassified from non-current debt to current debt since the facilities expire at 31 March 2015.

Cash flows from operating activities

Cash flows from operating activities were an outflow of DKK 10.4 million in Q1 2014 against an outflow of DKK 1.4 million in Q1 2013, which was mainly due to a reduction of prepayments from customers in the region of DKK 5.3 million and an increase in net working capital.

Cash flows from investing activities were an outflow of DKK 4.8 million in Q1 2014 and primarily related to DKK 3.1 million invested in production plant and DKK 1.7 million invested in development projects.

Net interest-bearing debt was increased by DKK 15.2 million and stood at DKK 175.9 million at 31 December 2014. Performance was in line with expectations.

Equity

The Group's equity at 31 March 2014 was DKK 388.5 million, of which DKK 371.4 million was attributable to shareholders of Topsil Semiconductor Materials A/S, and DKK 17.1 million was attributable to non-controlling interests in Cemat'70 S.A. The change in equity before non-controlling interests was mainly attributable to the net loss for the period.

The equity ratio was 59% at 31 March 2014.

GUIDANCE FOR 2014 MAINTAINED

Topsil expects revenue for 2014 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 unchanged from 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.

This 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.

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

The forward-looking statements in this interim report reflect Management's current expectations for certain future events and financial results. Forward-looking statements are inherently subject to uncertainty, and actual results may therefore differ materially from expectations.

Factors that may cause actual results to deviate materially from expectations include, but are not limited to, general economic developments and developments in the financial markets, changes in the silicon market, market acceptance of new products as well as the launch of competing products.

Topsil is under an obligation to update and adjust the expectations provided only to the extent required by Danish law, including the Danish Securities Trading Act and similar legislation.

INVESTOR RELATIONS COMMUNICATION

CEO Kalle Hvidt Nielsen and CFO Jesper Bodeholt will present the financial statements at a meeting with investors on Wednesday, 28 May at 12:00 noon Copenhagen time (CET) at Jyske Bank, Copenhagen.

Please direct any questions regarding this announcement to the Company's CEO and CFO through Ms. Christina Fris Bjørling, Communications Manager, tel.: +45 2152 1011, cfb@topsil.com.

This announcement has been prepared in a Danish-language and an English-language version. In the event of any discrepancies, the Danish version shall prevail.

FINANCIAL CALENDAR

26.08	Interim Report, Q2 2013
25.11	Interim Report, Q3 2013

Prior to the publication of an interim report, Topsil observes a four-week silent period.

SHAREHOLDER PORTAL

Shareholders can get access to investor information via Topsil's shareholder portal at www.topsil.com. The portal gives access to information on the investor's current shareholding and up-to-date shareholder information via an e-mail list.

E-MAIL SERVICE

Under Contacts on Topsil's website, everybody can subscribe to and unsubscribe from Topsil's electronic e-mail service to receive annual reports, quarterly reports and other company announcements.

ANNOUNCEMENTS 2013

8	07.05	Warrant programme – updated Articles of Association
7	29.04	Topsil establishes warrant programme for members of the Management Board and managerial employees
6	29.04	Updated Articles of Association
5	28.04	Decisions of Annual General Meeting 2014
4	25.04	Framework agreements with Chinese customers
3	02.04	Notice to convene Annual General Meeting
2	25.03	Annual Report 2013
1	30.01	Topsil to expand its activities in Japan

ANNUAL GENERAL MEETING 2014

At Topsil's Annual General Meeting held on 28 April 2014, Jens Borelli-Kjær, Eivind Dam Jensen, Michael Hedegaard Lyng and Jørgen Frost were re-elected to the Board of Directors. The Company's website provides a description of the background and competencies of the members of the Board of Directors.

The Annual General Meeting approved the Annual Report 2013 and the Board of Directors' proposal that no dividend be distributed for the year.

The Annual General Meeting adopted the proposal by the Board of Directors to continue the reduced remuneration to the Board of Directors and a number of amendments to the Articles of Association.

After the general meeting, the Board of Directors re-elected Jens Borelli-Kjær as Chairman of the Board and Eivind Dam Jensen as Deputy Chairman.

The Audit Committee will continue to consist of Michael Hedegaard Lyng (Chairman) and Jørgen Frost for the remainder of the 2014 financial year. The Remuneration Committee will continue to consist of Jens Borelli-Kjær (Chairman) and Michael Hedegaard Lyng, and the Nomination Committee will consist of Jens Borelli-Kjær (Chairman) and Eivind Dam Jensen.

A complete overview of the resolutions adopted is available at www.topsil.com in company announcement no. 5/14.

MANAGEMENT STATEMENT

The Board of Directors and the Management have today considered and adopted the interim report of Topsil Semiconductor Materials A/S for the three months ended 31 March 2014.

The interim report is presented in accordance with IAS 34 "Interim financial reporting" as adopted by the EU and Danish disclosure requirements for interim reports of listed companies.

In our opinion, the interim financial statements give a true and fair view of the Group's assets, liabilities and financial position at 31 March 2014 and of the results of the Group's operations and cash flows for the first quarter of 2014.

In our opinion, the management report includes a fair review of the development and performance of the business and financial position of the Group, the financial results for the period as well as the financial position in general of the consolidated companies, together with a description of the principal risks and uncertainties that the Group faces.

Frederikssund, 27 May 2014

MANAGEMENT BOARD

Kalle Hvidt Nielsen
CEO

Jørgen Bødker
EVP, Director of Logistics, Sales and Marketing

Jesper Bodeholt
CFO

BOARD OF DIRECTORS:

Jens Borelli-Kjær
Chairman

Eivind Dam Jensen
Deputy Chairman

Jørgen Frost
Board member

Michael Hedegaard Lyng
Board member

Jens Balslev Olesen
Elected by the employees

Jesper Leed Thomsen
Elected by the employees

INCOME STATEMENT

DKK'000	Q1 2014	Q1 2013	FY 2013
Revenue	73,352	70,721	312,102
Direct production costs	(37,596)	(35,615)	(167,633)
Other external expenses and staff costs	(32,503)	(31,734)	(123,473)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**3,253**	**3,372**	**20,996**
Depreciation, amortisation and impairment	(7,348)	(5,836)	(27,391)
Operating profit/(loss) (EBIT)	**(4,095)**	**(2,464)**	**(6,395)**
Net financials	(1,284)	(2,327)	(6,315)
Profit/(loss) before tax	**(5,379)**	**(4,791)**	**(12,710)**
Tax on profit/(loss) for the period	140	199	2,920
Profit/(loss) for the period	**(5,239)**	**(4,592)**	**(9,790)**
Appropriation of profit/(loss) for the period:			
Parent company shareholders	(5,325)	(4,352)	(9,382)
Non-controlling interests	86	(240)	(408)
	(5,239)	**(4,592)**	**(9,790)**
Earnings per share:			
Earnings per share (DKK)	(0.01)	(0.01)	(0.02)
Diluted earnings per share (DKK)	(0.01)	(0.01)	(0.02)

STATEMENT OF COMPREHENSIVE INCOME

DKK'000	Q1 2014	Q1 2013	FY 2013
Profit/(loss) for the period	(5,239)	(4,592)	(9,790)
Foreign exchange adjustment re foreign companies	(472)	(4,252)	(3,105)
Comprehensive income for the period	**(5,560)**	**(8,168)**	**(12,203)**
Parent company shareholders	(5,560)	(8,168)	(12,203)
Non-controlling interests	(151)	(676)	(692)
	(5,711)	**(8,844)**	**(12,895)**

CASH FLOW STATEMENT

DKK'000	Q1 2014	Q1 2013	FY 2013
Operating profit/(loss) (EBIT)	(4,095)	(2,464)	(6,395)
Depreciation, amortisation and impairment	7,348	5,836	27,391
Share-based payment recognised in the income statement	295	159	1,043
Change in net working capital	(11,784)	(2,571)	1,737
Tax paid/received	(32)	0	1,150
Financial income received	33	54	189
Financial expenses paid	(2,170)	(2,381)	(6,794)
Cash flows from operating activities	**(10,405)**	**(1,367)**	**18,321**
Acquisition etc. of intangible assets	(1,759)	(2,188)	(8,505)
Acquisition etc. of property, plant and equipment	(3,115)	(3,443)	(15,594)
Sale of property, plant and equipment	89	0	34
Cash flows from investing activities	**(4,785)**	**(5,631)**	**(24,065)**
Loans and credits raised	10,036	7,418	7,594
Acquisition of non-controlling interests	0	0	0
Cash flows from financing activities	**10,036**	**7,418**	**7,594**
Change in cash and cash equivalents	**(5,154)**	**420**	**1,850**
Cash and cash equivalents at beginning of period	12,349	10,905	10,905
Market value adjustment of cash and cash equivalents	11	135	(406)
Cash and cash equivalents at end of period	**7,206**	**11,460**	**12,349**

BALANCE SHEET, ASSETS

DKK'000	31 March 2014	31 March 2013	FY 2013
Goodwill	17,687	17,614	17,772
Completed development projects	6,950	10,045	7,767
Development projects in progress	23,920	15,602	22,191
Rights of use	14,446	14,576	14,562
Other intangible assets	515	625	546
Intangible assets	**63,518**	**58,462**	**62,838**
Land and buildings	172,324	63,768	173,307
Plant and machinery	176,432	119,991	173,697
Other fixtures and fittings, tools and equipment	2,228	2,802	2,537
Property, plant and equipment under construction	8,417	183,135	13,988
Property, plant and equipment	**359,401**	**369,696**	**363,529**
Other non-current receivables	14,875	21,004	15,875
Financial assets	**14,875**	**21,004**	**15,875**
Non-current assets	**437,794**	**449,162**	**442,242**
Inventories	**149,209**	**152,777**	**144,416**
Receivables	49,737	47,913	46,422
Other receivables	10,212	7,167	7,666
Income tax receivable	1,300	500	1,483
Prepayments	3,550	2,368	2,046
Receivables	**64,799**	**57,948**	**57,617**
Cash and cash equivalents	**7,206**	**11,460**	**12,349**
Current assets	**221,214**	**222,185**	**214,382**
Assets	**659,008**	**671,347**	**656,624**

BALANCE SHEET, EQUITY AND LIABILITIES

DKK'000	31 March 2014	31 March 2013	FY 2013
Share capital	132,029	132,029	132,029
Translation reserve	(16,483)	(17,313)	(16,248)
Reserve for share-based payment	1,815	635	1,520
Retained earnings	254,042	264,449	259,367
Equity attributable to parent company shareholders	**371,403**	**379,800**	**376,668**
Equity attributable to non-controlling interests	**17,135**	**17,302**	**17,286**
Equity	**388,538**	**397,102**	**393,954**
Debt to credit institutions	-	-	162,456
Finance lease liabilities	969	3,938	923
Prepayments received from customers	3,971	10,100	9,463
Other non-current liabilities	1,582	2,629	1,816
Deferred tax liabilities	11,398	8,922	11,815
Non-current liabilities	**17,920**	**25,589**	**186,473**
Due to credit institutions	183,103	172,616	10,611
Finance lease liabilities	4,095	3,071	5,149
Trade creditors	37,397	39,993	36,486
Prepayments received from customers	5,888	4,887	5,678
Provisions	266	1,955	266
Other payables	19,631	26,134	15,624
Deferred income	2,170	-	2,383
Current liabilities	**252,550**	**248,656**	**76,197**
Total liabilities	**270,470**	**274,245**	**262,670**
Equity and liabilities	**659,008**	**671,347**	**656,624**

STATEMENT OF CHANGES IN EQUITY

DKK'000	Share capital	Translation reserve	Reserve for share-based payment	Retained earnings	Equity attributable to parent company shareholders	Equity attributeable to non-controlling interests	Total equity
Equity at 01.01.2013	**132,029**	**(13,427)**	**477**	**268,749**	**387,828**	**17,978**	**405,806**
Profit/(loss) for the year	0	0	0	(4,300)	(4,300)	(346)	(4,646)
Other comprehensive income	0	(3,886)	0	0	(3,886)	(330)	(4,216)
Comprehensive income	132,029	(17,313)	477	264,449	379,642	17,302	396,944
Share-based payment	0	0	158	0	158	0	158
Equity at 31.03.2013	**132,029**	**(17,313)**	**635**	**264,449**	**379,800**	**17,302**	**397,102**
Equity at 01.01.2014	**132,029**	**(16,248)**	**1,520**	**259,367**	**376,668**	**17,286**	**393,954**
Profit/(loss) for the year	0	0	0	(5,325)	(5,325)	86	(5,239)
Other comprehensive income	0	(235)	0	0	(235)	(237)	(472)
Comprehensive income	132,029	(16,483)	1,520	254,042	371,108	17,135	388,243
Share-based payment	0	0	295	0	295	0	295
Equity at 31.03.2014	**132,029**	**(16,483)**	**1,815**	**254,042**	**371,403**	**17,135**	**388,538**

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, RISKS, ETC.

The interim report is presented in accordance with IAS 34 "Interim financial reporting" as adopted by the EU and additional Danish disclosure requirements for the interim reports of listed companies.
The interim report has been neither audited nor reviewed. The accounting policies are consistent with those of the Annual Report 2013. See the Annual Report 2013 for a full description of the accounting policies.

For accounting estimates and judgments, see note 2, page 42 of the Annual Report 2013. For information on risks, see note 35, page 71, and “Special risks”, pages 18-19 of the Annual Report 2013.

According to the accounting regulations, Management must consider whether the quarterly report can be prepared on a going concern basis. Based on the Company's estimated outlook, including the most recent order forecast, expectations for the Company's future cash flow, renegotiation of credit facilities, etc., Management believes that the existing cash reserves and expected future cash flows will be sufficient to maintain operations and fund any measures planned.

For further information on Topsil's cash flows and capital resources, see note 35, page 71 of the Annual Report 2013.

2 SEGMENT INFORMATION

Topsil's segments are "Sales of silicon ingots and wafers” and "Property management". See below:

DKK '000 revenue	Q1 2014	Q1 2013	FY 2013
Sales of silicon ingots and wafers	69,770	67,045	298,291
Property management	3,582	3,676	13,811
Total	**73,352**	**70,721**	**312,102**

DKK’000 Sales of silicon ingots and wafers	Q1 2014	Q1 2013	FY 2013
Revenue	69,770	67,045	298,291
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,693	2,744	16,067
Depreciation, amortisation and impairment	(6,152)	(5,012)	(22,575)
Operating profit/(loss) (EBIT)	(4,659)	(2,268)	(6,508)
Net financials	(1,274)	(2,318)	(6,543)
Profit/(loss) before tax	(5,933)	(4,586)	(13,051)
Assets	567,507	590,947	577,121
Addition of property, plant and equipment	3,022	2,273	13,717
Total liabilities	256,529	277,321	263,121

2 SEGMENT INFORMATION - CONTINUED

DKK'000 Property management	Q1 2014	Q1 2013	FY 2013
Revenue	3,582	3,676	13,811
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,560	628	4,929
Depreciation, amortisation and impairment	(1,196)	(824)	(4,816)
Operating profit/(loss) (EBIT)	564	(196)	113
Net financials	(10)	(9)	228
Profit/(loss) before tax	554	(205)	341
Assets	91,501	86,946	90,330
Addition of property, plant and equipment	94	1,170	1,877
Total liabilities	13,941	3,470	12,709

Topsil still wishes to divest Cemat'70 S.A., when the right opportunity arises.

3 EVENTS AFTER THE BALANCE SHEET DATE

Topsil has received a complaint from a major customer regarding the quality of silicon wafers supplied. The error is expectedly attributable to a third-party supplier, and Topsil estimates that the complaint will not have a material impact on its results of operations.

4 FINANCIAL HIGHLIGHTS AND KEY RATIOS

The financial ratios have been calculated in accordance with "Recommendations and Financial Ratios 2010" issued by the Danish Society of Financial Analysts. The individual calculation formulas are provided in note 1, page 41 of the Annual Report 2013.

Topsil at a glance

Topsil produces ultra-pure silicon in the form of wafers contributing to energy-efficient voltage management in advanced electrical components forming part of different end-user applications such as electricity distribution networks, production machinery, wind turbines, electric cars and hybrid vehicles, and electric trains. The purity level of silicon is so high that only a handful of companies worldwide have the required knowledge and capacity to produce it. Customers are primarily major multinational companies in the semiconductor industry and to a marginal extent universities and other research institutions worldwide.

Topsil mainly addresses the highest voltage segments in the power market, which constitute about 10% of the overall silicon market, corresponding to DKK 5.1 billion in 2013. The market is driven by factors such as population growth and growing prosperity. More people and growing middle classes will therefore drive up demand for energy and functional energy infrastructures as well as investments in transport, green energy and energy efficiency.

Topsil's "Executing on Opportunities" strategy aims to exploit the long-term market potential for growth, including to increase the sale of the type of silicon that we expect will show the highest growth rates in the coming years and improve Topsil's market position in the two strategically important markets, Japan and China. At the same time, the strategy aims to increase the Company's cash flows from operating activities and enhance wafer production efficiency. The strategy builds on previous capacity investments in buildings, technology and equipment.

Topsil has production plant and is headquartered in Copenhagen Cleantech Park, Frederikssund, Denmark and has production plant in Warsaw, Poland. Topsil was founded in 1959, and had an average of 344 employees in 2013. For more information, go to www.topsil.com

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