

TOPSIL SEMICONDUCTOR MATERIALS A/S
Interim report, Q2 2014
Three months ended 30 June 2014

A CHALLENGING QUARTER

"Our financial performance in Q2 was not satisfactory. There was a significant adverse impact from the pending customer complaint. The technical investigation into the complaint is nearing its conclusion, and shipment of replacement wafers has begun. We have obtained qualification of our new 200 mm float zone silicon wafers by a large, potential automotive customer in Japan and have recently shipped the next version, 150 mm float zone products, to several customers for qualification."

Kalle Hvidt Nielsen, CEO

HIGHLIGHTS OF THE QUARTER

- The technical investigation into the complaint is nearing its conclusion. Shipment of the first replacement wafers to the customer was begun after the end of the reporting period.
- Topsil's revenue was DKK 65.3 million in Q2 2014 against DKK 87.3 million in Q2 2013. Revenue was adversely affected by the customer complaint, which has had the effect that a large customer chose to temporarily suspend all silicon supplies from Topsil. Q2 2013 was positively affected by silicon sales to a number of one-off projects.
- The contribution margin was 42.3% in Q2 2014 against 48.7% in Q2 2013. The contribution margin was adversely affected by the decline in sales, changes in the sales mix and extra irradiation expenditure.
- Other external costs and staff costs totalled DKK 32.7 million, up from DKK 30.9 million in Q2 2013. The increase mainly related to additional production staff and costs related to the establishment and operation of a sales office in Japan.
- EBITDA was a loss of DKK 5.0 million in Q2 2014 against a profit of DKK 11.6 million in Q2 2013.
- Working capital stood at DKK 136.1 million at 30 June 2014, representing a reduction of DKK 19.5 million compared to 30 June 2013.
- Cash flows from operating activities were an inflow of DKK 7.3 million in Q2 2014 against an outflow of DKK 9.1 million in the year-earlier period. The cash flows for investing activities were DKK 2.6 million, which was a reduction of DKK 3.4 million compared to Q2 2013.
- Next-generation float zone silicon wafers (200 mm) were qualified by a large potential automotive customer in Japan. Test wafers of the next version, 150 mm float zone silicon wafers, were submitted for customer qualification.
- After the end of the period, a change of sales management was announced.
- Topsil signed an agreement with its principal bankers.

OUTLOOK FOR 2014

Topsil's guidance is unchanged from the profit warning of 3 July 2014 of revenue in the range of DKK 270-290 million and EBITDA in the range of DKK 0-10 million.



FINANCIAL HIGHLIGHTS FOR THE GROUP (UNAUDITED)

DKK'000	Q2 2014	Q2 2013	H1 2014	H1 2013	FY 2013
Income statement:					
Revenue	65,330	87,252	138,682	157,973	312,102
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(5,025)	11,581	(1,772)	14,953	20,996
Operating profit/(loss) (EBIT)	(12,370)	4,732	(16,465)	2,268	(6,395)
Net financials	(2,576)	(3,448)	(3,860)	(5,775)	(6,315)
Profit/(loss) for the period after tax	(12,382)	78	(17,621)	(4,514)	(9,790)
Of which attributable to parent company shareholders	(12,464)	57	(17,789)	(4,295)	(9,382)
Cash flow statement:					
Cash flows from operating activities	7,264	(9,110)	3,141	(10,477)	18,321
Cash flows from investing activities	(2,577)	(5,975)	(7,362)	(11,606)	(24,065)
Balance sheet:					
Share capital	132,029	132,029	132,029	132,029	132,029
Equity attributable to parent company shareholders	359,605	375,425	359,605	375,425	376,668
Equity attributable to non-controlling shareholders	17,256	16,714	17,256	16,714	17,286
Total consolidated equity	376,861	392,139	376,861	392,139	393,954
Total assets	640,188	668,970	640,188	668,970	656,624
Invested capital	549,996	573,110	549,996	573,110	557,011
Net interest-bearing debt	171,122	170,944	171,122	170,944	158,469
Net working capital (NWC)	136,059	155,552	136,059	155,552	140,106
Financial ratios:					
EBITDA margin (%)	(7.7)	13.3	(1.3)	9.5	6.7
EBIT margin/profit margin (%)	(18.9)	5.4	(11.9)	1.4	(2.0)
Return on invested capital (%)	(2.2)	0.9	(3.0)	0.4	(1.1)
Contribution ratio (%)	42.3	48.7	45.7	49.1	46.3
Equity ratio	59	59	59	59	60
Return on equity (%)	(3.3)	0.0	(4.7)	(1.2)	(2.5)
Current number of shares ('000)	528,114	528,114	528,114	528,114	528,114
Earnings per share (DKK)	(0.02)	0.00	(0.03)	(0.01)	(0.02)
Price per share (DKK)	0.70	0.40	0.70	0.40	0.71
Average number of employees (FTE)	368	354*	362	355*	352*

*The calculation method in the Polish part of the organisation was changed in August 2014.



FINANCIAL PERFORMANCE

MARKET DEVELOPMENTS

Yole Developpement, which specifically engages in power market research, and SEMI, an umbrella organisation for the global silicon industry, both continue to expect price pressure 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% in 2014 in terms of value. SEMI reported 9.6% year-on-year volume growth in total sales of silicon wafers in H1 2014. Other sources in the semiconductor industry (Gartner, WSTS, SEMICO and others) retain their expectations of volume growth in the market for silicon wafers. SEMICO forecasts volume growth in 2014 of more than 7%.

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 next version of 150 mm float zone silicon wafers was released for customer qualification, and the first test wafers were shipped to customers. The products build on from the process and technology developed in connection with the 200 mm platform, supporting a more efficient production process at Topsil and featuring better technical specifications.
- The development of sales in the Japanese market proceeded as planned. The next generation of silicon wafers in the form of 200 mm float zone silicon wafers were

qualified by a large potential customer in the automotive industry.

- In continuation of a framework agreement signed with a large Chinese customer in April, an order was received in line with plans. The order was for 200 mm float zone silicon wafers to be used for qualification of the customer's new production facility.
- The in-house efficiency activities proceeded according to plan and are expected to have a favourable impact on production costs for silicon wafers.
- It is expected that production at the former production facility will be closed down in early Q4 2014 and the facility vacated by the end of the year.

CUSTOMER COMPLAINT

Q2 performance was affected by a complaint from a major customer who temporarily suspended all supplies of silicon wafers from Topsil until the defect has been identified and the problem solved.

The technical investigation into the complaint is nearing its conclusion. Topsil believes the defect arose in connection with substantial, unapproved process changes by a third-party contractor. The sub-contractor has not confirmed this. Topsil foresees an obligation to supply the full amount of replacement wafers prior reopening ordinary supplies of wafers to this customer. Shipment of replacement wafers to the customer began after the end of the period.

Topsil's own costs for investigating this pending customer complaint are recognised in other external costs for the quarter. No provision has been made for any compensation that may become payable to the customer, as Topsil maintains that the defect arose at a third-party contractor. The questions regarding compensation and clarification of the legal liability are pending.

CHANGE OF MANAGEMENT

Topsil announced a change in the company's management on 21 August 2014: Jørgen Bødker, EVP, Sales & Marketing, will vacate his position effective at the end of October 2014 at the latest. Michael Lisby Jensen will become



new EVP, Sales & Marketing, effective 1 September 2014 at which time he is expected to also join the Topsil Management Board.

REVENUE

Revenue for Q2 2014 was down by 25.2% to DKK 65.3 million (Q2 2013: DKK 87,3 million). Revenue for the period was affected by the complaint from a major customer, while Q2 2013 revenue was positively affected by a number of one one-off projects. The revenue includes wafers affected by the customer complaint.

Revenue for H1 2014 was DKK 138.7 million (H1 2014: DKK 158.0 million). Revenue from silicon wafers in H1 2014 was DKK 131.7 million (H1 2013: DKK 150.8 million).

COSTS

Direct production costs were DKK 37.7 million in Q2 2014 (Q2 2013: DKK 44.8 million. The contribution margin was 42.3% in Q2 2014 (Q2 2013: 48.7%). The contribution margin was adversely affected by the decline in sales, changes in the sales mix and extra irradiation expenditure following a planned temporary close-down of the primary irradiation reactor.

Other external costs and staff costs were DKK 32.7 million in Q2 2014 (Q2 2013: DKK 30.9 million). The increase in the cost base was mainly caused by additional production staff for the manufacture of expected order volumes, the phase-in of a new wafer processing technology and costs related to establishing and running a sales office in Japan.

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

EBITDA

EBITDA was a loss of DKK 5.0 million in Q2 2014 (Q2 2013: DKK 11.6 million), equivalent to an EBITDA margin of (7.7)%.

EBITDA for H1 2014 was a loss of DKK 1.8 million (H1 2014: a profit of DKK 15.0 million).

Depreciation for Q2 2014 was DKK 7.3 million (Q2 2013: DKK 6.8 million). The increase was due to depreciation charges for new production equipment.

Net financials amounted to an expense of DKK 2.6 million in Q2 2014 (Q2 2013: an expense of DKK 3.4 million).

LOSS AFTER TAX

Topsil posted a loss after tax of DKK 12.4 million in Q2 2014 (Q2 2013: a profit of DKK 0.1 million), and an accumulated H1 loss after tax of DKK 17.6 million (H1 2013: DKK 4.5 million).

BALANCE SHEET

Consolidated non-current assets totalled DKK 430.5 million at 30 June 2014, representing a reduction of DKK 11.7 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 136.1 million at 30 June 2014 (30 June 2013: DKK 155.6 million). The decline was related to lower trade receivables and increased trade payables, partly offset by increased inventories. The increase in inventories was mainly caused by raw materials purchasing obligations combined with lower sales in Q2 and a change in procedures for transporting incoming raw materials at the beginning of the year in order to reduce costs. The decline in trade receivables was a consequence of the low level of sales in the second quarter.

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities were an inflow of DKK 7.3 million in Q2 2014 (Q2 2013: an outflow of DKK 9.1 million).

Cash flows from investing activities were an outflow of DKK 2.6 million in Q2 2014 and primarily related to DKK 2.0 million invested in production plant and DKK 0.6 million invested in development projects. The cash flows from investing activities in Q2 2013 were DKK 6 million.

INTEREST-BEARING DEBT

The Group's net interest-bearing debt stood at DKK 171.1 million at 30 June 2014, which was on a level with the year-earlier period and a reduction of DKK 2.5 million from the end of Q1 2014. Management has determined that the debt is too high and intends to step up the work to reduce the debt.



AGREEMENT WITH BANKERS

Further to the announcement of 3 July 2014, Topsil has today reached an agreement with its principal bankers. The agreement provides for additional collateral and involves a total margin increase on the loan facilities of 1.3% points. The agreement will be renegotiated as part of the ordinary loan facility review, the next review being due on 1 March 2015.

EQUITY

The Group's equity at 30 June 2014 was DKK 376.9 million, of which DKK 359.6 million was attributable to shareholders of Topsil Semiconductor Materials A/S, and DKK 17.3 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 30 June 2014, which was in line with the ratio at 30 June 2013.

OUTLOOK FOR 2014

Topsil's guidance is unchanged from the profit warning of 3 July 2014 of revenue in the range of DKK 270-290 million and EBITDA in the range of DKK 0-10 million.

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 does not include potential customer compensation costs related to the complaint.

The updated guidance for the full year is subject to significantly greater uncertainty than would normally be the case. The technical analyses in connection with the customer complaint have not yet been completed, and the issue of compensation has not been clarified with the third-party contractor. Moreover, there is as yet no full clarity with respect to the total costs relating to the complaint, when normal sales to the customer can be resumed, or other risks related to the matter.

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, 27 August 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

25.11	Interim Report, Q3 2013
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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

11	21.08	Change of Management
10	03.07	Profit warning
9	27.05	Interim report, Q1 2014
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



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 30 June 2014.

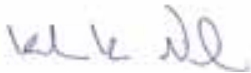
The interim report is presented in accordance with IAS 34 "Interim financial reporting" as adopted by the EU and Danish disclosure requirements for interim reports of listed companies.

In our opinion, the interim financial statements give a true and fair view of the Group's assets, liabilities and financial position at 30 June 2014 and of the results of the Group's operations and cash flows for the second 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, 26 August 2014

MANAGEMENT BOARD



Kalle Hvidt Nielsen
CEO



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	Q2 2014	Q2 2013	H1 2014	H1 2013	FY 2013
Revenue	65,330	87,252	138,682	157,973	312,102
Direct production costs	(37,675)	(44,800)	(75,271)	(80,415)	(167,633)
Other external expenses and staff costs	(32,680)	(30,871)	(65,183)	(62,605)	(123,473)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(5,025)	11,581	(1,772)	14,953	20,996
Depreciation, amortisation and impairment	(7,345)	(6,849)	(14,693)	(12,685)	(27,391)
Operating profit/(loss) (EBIT)	(12,370)	4,732	(16,465)	2,268	(6,395)
Net financials	(2,576)	(3,448)	(3,860)	(5,775)	(6,315)
Profit/(loss) before tax	(14,946)	1,284	(20,325)	(3,507)	(12,710)
Tax on profit/(loss) for the period	2,564	(1,206)	2,704	(1,007)	2,920
Profit/(loss) for the period	(12,382)	78	(17,621)	(4,514)	(9,790)
Appropriation of profit/(loss) for the period:					
Parent company shareholders	(12,464)	57	(17,789)	(4,295)	(9,382)
Non-controlling interests	82	21	168	(219)	(408)
	(12,382)	78	(17,621)	(4,514)	(9,790)
Earnings per share:					
Earnings per share (DKK)	(0.02)	0.00	(0.03)	(0.01)	(0.02)
Diluted earnings per share (DKK)	(0.02)	0.00	(0.03)	(0.01)	(0.02)

STATEMENT OF COMPREHENSIVE INCOME

DKK'000	Q2 2014	Q2 2013	H1 2014	H1 2013	FY 2013
Profit/(loss) for the period	(12,382)	78	(17,621)	(4,514)	(9,790)
Foreign exchange adjustment re foreign companies	280	(5,201)	(192)	(9,453)	(3,105)
Comprehensive income for the period	(12,102)	(5,123)	(17,813)	(13,967)	(12,895)
Parent company shareholders	(12,223)	(4,535)	(17,783)	(12,703)	(12,203)
Non-controlling interests	121	(588)	(30)	(1,264)	(692)
	(12,102)	(5,123)	(17,813)	(13,967)	(12,895)



CASH FLOW STATEMENT

DKK'000	Q2 2014	Q2 2013	H1 2014	H1 2013	FY 2013
Operating profit/(loss) (EBIT)	(12,370)	4,732	(16,465)	2,268	(6,395)
Depreciation, amortisation and impairment	7,345	6,849	14,693	12,685	27,391
Share-based payment recognised in the income statement	425	141	720	300	1,043
Change in net working capital	13,060	(17,384)	1,276	(19,955)	1,737
Tax paid/received	(95)	0	(127)	0	1,150
Financial income received	23	275	56	329	189
Financial expenses paid	(1,124)	(3,723)	(3,294)	(6,104)	(6,794)
Cash flows from operating activities	7,264	(9,110)	(3,141)	(10,477)	18,321
Acquisition etc. of intangible assets	(587)	(959)	(2,346)	(3,147)	(8,505)
Acquisition etc. of property, plant and equipment	(1,990)	(5,016)	(5,105)	(8,459)	(15,594)
Sale of property, plant and equipment	0	0	89	0	34
Cash flows from investing activities	(2,577)	(5,975)	(7,362)	(11,606)	(24,065)
Loans and credits raised	(3,291)	11,998	6,745	19,416	7,594
Cash flows from financing activities	(3,291)	11,998	6,745	19,416	7,594
Change in cash and cash equivalents	1,396	(3,087)	(3,758)	(2,667)	1,850
Cash and cash equivalents at beginning of period	7,206	11,460	12,349	10,905	10,905
Market value adjustment of cash and cash equivalents	(509)	2,700	(498)	2,835	(406)
Cash and cash equivalents at end of period	8,093	11,073	8,093	11,073	12,349



BALANCE SHEET, ASSETS

DKK'000	Q2 2014	Q2 2013	FY 2013
Goodwill	17,727	16,995	17,772
Completed development projects	6,305	8,934	7,767
Development projects in progress	24,507	17,747	22,191
Rights of use	14,430	14,019	14,562
Other intangible assets	488	576	546
Intangible assets	63,457	58,271	62,838
Land and buildings	171,204	173,758	173,307
Plant and machinery	174,501	122,410	173,697
Other fixtures and fittings, tools and equipment	1,952	2,484	2,537
Property, plant and equipment under construction	7,431	64,522	13,988
Property, plant and equipment	355,088	363,174	363,529
Other non-current receivables	11,963	19,888	15,875
Financial assets	11,963	19,888	15,875
Non-current assets	430,508	441,333	442,242
Inventories	154,310	143,038	144,416
Trade receivables	36,057	65,379	46,422
Other receivables	7,283	4,859	7,666
Income tax receivable	1,250	500	1,483
Prepayments	2,687	2,788	2,046
Receivables	47,277	73,526	57,617
Cash and cash equivalents	8,093	11,073	12,349
Current assets	209,680	227,637	214,382
Assets	640,188	668,970	656,624



BALANCE SHEET, EQUITY AND LIABILITIES

DKK'000	Q2 2014	Q2 2013	FY 2013
Share capital	132,029	132,029	132,029
Translation reserve	(16,242)	(21,835)	(16,248)
Reserve for share-based payment	2,240	777	1,520
Retained earnings	241,578	264,454	259,367
Equity attributable to parent company shareholders	359,605	375,425	376,668
Equity attributable to non-controlling interests	17,256	16,714	17,286
Equity	376,861	392,139	393,954
Debt to credit institutions	-	-	162,456
Finance lease liabilities	920	3,174	923
Prepayments received from customers	4,608	10,100	9,463
Other non-current liabilities	1,763	2,368	1,816
Deferred tax liabilities	8,707	12,838	11,815
Non-current liabilities	15,998	28,480	186,473
Due to credit institutions	179,812	184,267	10,611
Finance lease liabilities	3,203	3,074	5,149
Trade creditors	39,900	36,798	36,486
Prepayments received from customers	5,003	5,019	5,678
Provisions	142	1,625	266
Other payables	16,964	17,568	15,624
Deferred income	2,305	-	2,383
Current liabilities	247,329	248,351	76,197
Total liabilities	263,327	276,831	262,670
Equity and liabilities	640,188	668,970	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 attributable 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	(4,295)	(4,295)	(219)	(4,514)
Other comprehensive income	0	(8,408)	0	0	(8,408)	(1,045)	(9,453)
Comprehensive income	132,029	(21,835)	477	264,454	375,125	16,714	391,839
Share-based payment	0	0	300	0	300	0	300
Equity at 30.06.2013	132,029	(21,835)	777	264,454	375,425	16,714	392,139
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	(17,789)	(17,789)	168	(17,621)
Other comprehensive income	0	6	0	0	6	(198)	(192)
Comprehensive income	132,029	(16,242)	1,520	241,578	358,885	17,256	376,141
Share-based payment	0	0	720	0	720	0	720
Equity at 30.06.2014	132,029	(16,242)	2,240	241,578	359,605	17,256	376,861



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 32, pages 66-70, and "Special risks", pages 18-19 of the Annual Report 2013. In particular, it should be noted that the lower guidance for the full year is subject to greater uncertainty than would normally be the case. See the profit warning of 3 July 2014 and comments to Outlook for 2014, page 5 in this announcement.

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 and expectations for the Company's future cash flow, etc., Management believes that the existing cash reserves and expected future cash flows will be sufficient to maintain operations and fund any measures planned.

2 SEGMENT INFORMATION

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

DKK '000 revenue	Q2 2014	Q2 2013	H1 2014	H1 2013	FY 2013
Sales of silicon ingots and wafers	61,942	83,758	131,712	150,803	298,291
Property management	3,388	3,494	6,970	7,170	13,811
Total	65,330	87,252	138,682	157,973	312,102

DKK'000 Sales of silicon ingots and wafers	Q2 2014	Q2 2013	H1 2014	H1 2013	FY 2013
Revenue	61,942	83,758	131,712	150,803	298,291
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(6,364)	10,483	(4,671)	13,227	16,067
Depreciation, amortisation and impairment	(6,164)	(6,034)	(12,316)	(11,046)	(22,575)
Operating profit/(loss) (EBIT)	(12,528)	4,449	(16,987)	2,181	(6,508)
Net financials	(2,711)	(3,668)	(3,985)	(5,986)	(6,543)
Profit/(loss) before tax	(15,239)	781	(20,972)	(3,805)	(13,051)
Assets	548,670	586,053	548,670	586,053	577,121
Addition of property, plant and equipment	4,778	7,898	4,778	7,898	13,717
Total liabilities	249,922	279,810	249,922	279,810	263,121



2 SEGMENT INFORMATION - CONTINUED

DKK'000	Property management	Q2 2014	Q2 2013	H1 2014	H1 2013	FY 2013
Revenue		3,388	3,494	6,970	7,170	13,811
Earnings before interest, tax, depreciation and amortisation (EBITDA)		1,339	1,098	2,899	1,726	4,929
Depreciation, amortisation and impairment		(1,181)	(815)	(2,377)	(1,639)	(4,816)
Operating profit/(loss) (EBIT)		158	283	522	87	113
Net financials		135	220	125	211	228
Profit/(loss) before tax		293	503	647	298	341
Assets		91,518	89,655	91,518	89,655	90,330
Addition of property, plant and equipment		233	561	327	561	1,877
Total liabilities		13,405	3,759	13,405	3,759	12,709

Topsil still wishes to divest Cemat'70 S.A.

3 EVENTS AFTER THE BALANCE SHEET DATE

Topsil issued a profit warning on 3 July 2014. Topsil announced a change in the sales management 21 August 2014. Topsil announced signed agreement with its principal bankers 26 August 2014.

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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