

## **ANNUAL REPORT 2011**

SEB Enskilda 29 MARCH 2012





2011 in summary
Market development
Financial performance 2011
Update on key projects
Expectations for 2012
Appendix



# **2011 - A CHALLENGING YEAR**FOR TOPSIL

- 2005-2010: Significant, positive developments characteristed the power market
  - Demand exceeded supply considerably
  - Attractive market terms for silicon industry
- Sudden slow down mid 2011
  - Market decline
  - Increased competition



### **2011 IN SUMMARY**

- Revenue of DKK 367.4m (2010: DKK 457m)
- EBITDA of DKK 35.1m (2010: DKK 102m) in line with expectations
- Adjustment of cost base relative to the level of activity
  - Full impact of cost programme will materialise in 2012
- On plan: Main part of new plant completed
- New products with improved technical properties launched but qualifications delayed
- Raw material quality issue agreement reached end year



## **2011 IN SUMMARY (CONTINUED)**

- Development work on production of silicon with larger diameters continued
- Beginning 2012, Topsil acquired additional share capital in Cemat'70 S.A.
  - The aim of the acquisition remains to sell the entire shareholding
  - By obtaining the extended shareholding, Topsil now has the full right of disposal and consequently a significantly improved platform for a sale, gradually or entirely
- Company announcement of new CEO
  - Resignation of Keld Lindegaard Andersen, Oct. 2011
  - Kalle Hvidt Nielsen assigned 1 January 2012



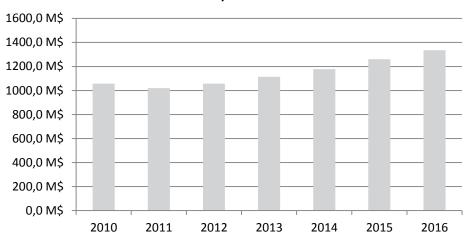




## **EXPECTED TO PICK UP AGAIN END 2012**

- Sudden slow down in power market mid 2011
  - Particularly in transport area, addressing the highest voltage levels
  - Increasingly competitive market
  - Lower visibility
- Management expectations:
  - gradual pick up of market towards end 2012
  - After 2012, gradual improvement expected towards a rate of approximately 5-10% p.a.

### Power Electronics development, 2010-2011, E2012-2016\*



\*Source: Yole Developpement, end February 2012

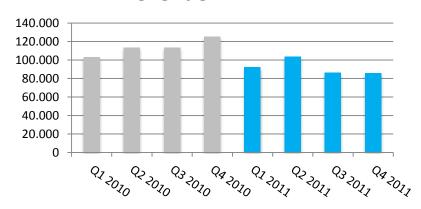




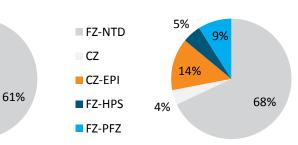


### REVENUE DEVELOPMENT

#### **Revenue in DKKm:**



2010



2011

### Revenue in line with expectations

Q4 2011: DKK 85.7m

FY2011: DKK 367.4m (-19.5%)

#### Revenue, breakdown by products

- NTD, volume and product mix
- PFZ delay in qualifications
- Process of restructuring CZ towards CZ-EPI



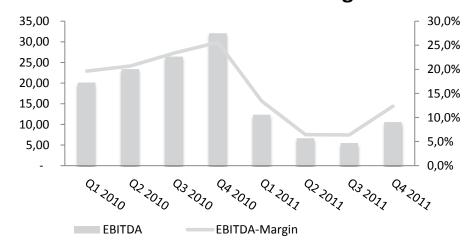
8%

10%

13%

# **MARGINS REDUCED**FOLLOWING DECREASED REVENUES

#### **EBITDA & EBITDA-margin**



#### Contribution margin reduced FY2011

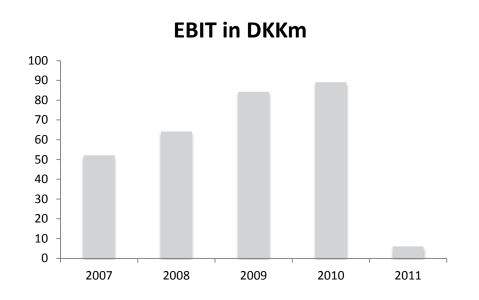
- Quality issues with major supplier throughout the year
- Lower high margin revenues in second half of year

## Consolidated EBITDA of DKK 35.1m (DKK 102.0m) in line with expectations

- FY2011 EBITDA-margin of 9.6% (22.3%)
   affected by set back in revenues and
   thus lower capacity utilisation further
   one off costs related to restructuring of
   organisation, i.e. has brought margin
   down.
- 10% reduction in headcount will reduce staff cost going forward.
- Q4 2011 EBITDA-margin at 12.4% (31.4% in Q4 2010)



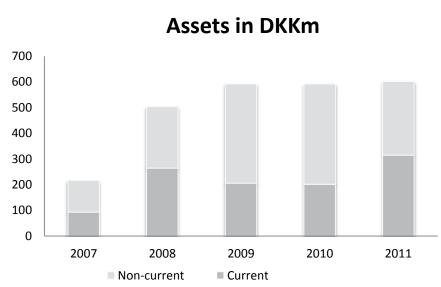
## **UNSATISFACTORY DECREASE IN EARNINGS**



- EBIT for FY2011 at DKK 6.0m (DKK 89.0m) corresponding to EBIT-margin of 1.6% (19.5%)
- Change due to negative development in EBITDA (DKK 66,9) and accumulated depreciations from assets formerly held for sale (DKK 5,9 m).
- Net financials at DKK -9.2m (DKK -7.2m)
  - Impacted by rise in USD rates and fall in PLN rates in Q4
- PBT at DKK -3.3m (DKK 82m) and profit decreased to DKK -6.8m (DKK 63m)



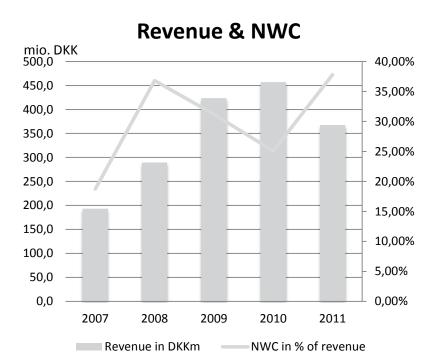
# BALANCE SHEET INFLUENCED BY INCREASED INVESTMENTS AND FULL CONSOLIDATION OF CEMAT'70



- Total assets on par with last year
- Increased investments in new plant
- Assets held for sale (Cemat'70) changed status to full consolidation
- Increased inventories
  - Cash reduced due to investments in new plant and increased NWC
- ROIC of 1.6% vs. 26.3% last year



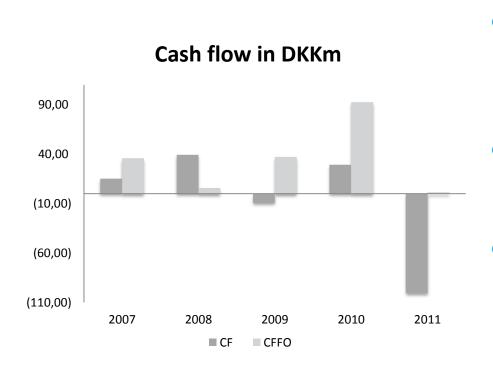
# SETBACK IN NET WORKING CAPITAL DURING 2011



- Net working capital (NWC) increased by DKK 21.5m due to lower activity and planned build up of inventory
  - Inventories up at DKK 146.3m (DKK 113.0m)
  - Receivables at DKK 70.6m (DKK 68.1m) DKK 3.3m impact from consolidation of Cemat'70.
  - Accounts payable up at DKK 66.0m (DKK 48.5)
- NWC/Sales increased to 38% from 26%



# NEGATIVE CASH FLOW RESULT OF PLANNED INVESTMENTS IN NEW PLANT AND LESS CASH FROM OPERATIONS



- Fall in cash flow from operations (CFFO) to DKK -0.3m (DKK 92,6m) driven by reduced EBIT and increased NWC
- CAPEX driven by investments in New plant
- Investments in New plant and increase in NWC increases NIBD to DKK 4.3 (DKK -92.6m)







## **NEW PLANT, GREENFIELD**



March 2012



- Construction to be completed 2012 while new production equipment will be installed.
   First FZ pullers now in place
- First qualification samples expected at the end of year
- Gradual transfer of employees and existing machinery FZ production at two locations in 2013
- Plant relocation to result in higher inventory levels 2012
- Financing in place within existing range of financial resources



## **\*\*:NEW PRODUCTS WITH IMPROVED TECHNICAL PROPERTIES**

- Targeting medium-voltage segments
- Launched beginning 2011, delay in qualification relative to original plan, essentially due to longer than expected qualification processes with customers
- Market launch is now progressing according to plan in respect of number of qualifications
- Number of new customer qualifications expected to grow during the year
- Increased share of PFZ and CZ products relative to 2011 towards end of year slight impact on sales 2012, larger impact later on



# **\*\*\*NEXT GENERATION FZ SILICON WITH LARGER DIAMETERS**

- Development of 200 mm silicon for high and medium voltage segments continued 2011
- Crystal growth ongoing
- Initiation of qualification expected end 2012 selling in the year is not expected
- Actual sales expected in 2013







### **GUIDANCE FOR 2012**

#### **Main events**

- Topsil to commence relocating production to the new plant (DK)
- Soft market to continue market expected to gradually recover during the second half of the year
- From then on gradual improvement expected towards a rate of approximately 5-10% p.a.

#### Revenue

- Revenue in 2012 to decline by 5-10% relative to 2011
- Assumption of a fall of about 25% in the first half of the year, followed by minor growth in the second half of the year

Expectations based on exchange rates of DKK 550/USD 100 and DKK 190/PLN 100



## **GUIDANCE FOR 2012 (CONTINUED)**

#### EBITDA

- Expected to be at approximately DKK 40-50 million 2012 against DKK 35 million in 2011
- Implemented cost reductions will provide full-year effect in 2012, albeit moderately offset by the costs for operating in two locations in Denmark

Expectations based on exchange rates of DKK 550/USD 100 and DKK 190/PLN 100

#### New strategy to be communicated

 A new strategy is expected to be communicated in the course of the second half of 2012







### **\*\*VALUE CHAIN**

THE FLOAT ZONE PROCESS - FROM POLYSILICON TO WAFER

STEP 1











**QUARTZ SAND** 

REDUCTION

DISTILLATION

SIEMENS PROCESS

**POLYSILICON** 

THE FLOAT ZONE PROCESS - FROM POLYSILICON TO WAFER

FΖ



2











POLYSILICON

**FZ PROCESS** 

IRRADIATION

WAFERING

FINISHED WAFER

\_ O

CZHOCHRALSKI PROCESS - FROM CRUSHED POLYSILICON TO WAFER

C



7







CZ PROCESS











**FINISHED WAFER** 

FROM TOPSIL TO CUSTOMER

3 AND 4





DIFFUSION







FINISHED WAFER

ĸ

COMPONENT

CONTROL

**END-USE** 

## **QUALIFICATION PROCESS**

## (APP. 3 ITERATIONS OF PHASE 6)

