

ANNUAL REPORT 2013

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FINANCIAL HIGHLIGHTS AND KEY RATIOS

Five-year financial highlights, DKK '000	2013	2012	2011	2010	2009
Revenue	312,102	289,567	367,439	456,705	423,483
Earnings before interest, tax, depreciation and amortisation (EBITDA)	20,996	12,795	35,106	102,040	99,813
Operating profit (EBIT)	(6,395)	(13,913)	6,027	89,047	84,233
Net financials	(6,315)	(3,728)	(9,298)	(7,211)	(8,474)
Profit/(loss) for the year	(9,790)	(24,670)	(6,818)	63,013	51,782
Of which attributable to parent company shareholders	(9,382)	(24,596)	(5,750)	62,501	50,520
Cash flows from operating activities	18,321	(3,827)	4,666	92,659	37,181
Cash flows from investing activities	(24,065)	(131,706)	(107,752)	(52,669)	(24,736)
Investments in property plant and equipment	15,594	122,886	102,945	52,641	22,179
Share capital	132,029	132,029	132,029	130,022	101,990
Equity attributable to parent company shareholders	376,668	387,828	394,010	401,784	236,040
Equity attributable to non-controlling shareholders	17,286	17,978	35,096	40,309	64,577
Total consolidated equity	393,954	405,806	429,106	442,093	300,617
Total assets	656,624	686,223	601,495	592,267	591,767
Invested capital	557,011	575,496	440,663	346,965	330,751
Net interest-bearing debt/(Net interest asset)	158,469	152,318	4,301	(92,637)	30,721
Net working capital (NWC)	140,106	142,504	125,789	118,673	132,161
Financial ratios					
EBITDA margin (%)	6.7	4.4	9.6	22.3	23.6
EBIT margin/profit margin (%)	(2.0)	(4.9)	1.6	19.5	19.9
Return on invested capital (%)	(1.1)	(2.7)	1.5	26.3	27.0
Contribution ratio (%)	46.3	47.6	49.0	52.1	53.1
Equity ratio (%)	60	59	71	75	51
Return on equity (%)	(2.5)	(6.3)	(1.4)	19.6	24.3
Number of shares ('000)	528,114	528,114	528,114	520,090	407,961
Earnings per share (DKK)	(0.02)	(0.05)	(0.01)	0.13	0.12
Price per share (DKK)	0.71	0.38	0.48	1.47	1.25
Average number of employees	344	358	383	384	377

The financial highlights for 2009-2013 have been prepared in accordance with "Recommendations and Financial Ratios". See the description in note 1 to the financial statements, Accounting policies.

IMPROVED PERFORMANCE IN A CONTINUED DIFFICULT MARKET

Topsil moved substantially closer to meeting the goals of its strategy in 2013. We increased our sales of PFZ silicon, submitted the first of our new 200 mm PFZ products for customer qualification, and we continued our activities on the important Japanese market. We implemented production and supply chain improvements, and with customer qualification approval of our new plant in place, we began transferring production from our old facility. Topsil managed to increase revenue by 8% in a market that was slightly declining. The increase in revenue and efficiency improvements resulted in an improvement of EBITDA by 64%. We are working hard to further improve our results in 2014.

THE MARKET

Demand for silicon for power applications during the past year was characterised by marginal volume growth but a decline in terms of value. The expected growth in areas such as the transportation and automotive sectors failed to materialise, and the growing demand for power electronics for energy infrastructure and industry was not strong enough to change that. Moreover, inventory reductions by a number of our competitors and the continuing low Japanese yen increased the price pressure.

The long-term market trends for sales of ultra-pure silicon are positive. The growth economies need stable and efficient power grids, and mega cities need infrastructure and efficient transport solutions, which is expected to lead to growing global demand for energy. In future, we will see an increased demand for Smart Grids in which different types of energy sources will be connected and disconnected at different times of day and night, and we will see more green energy. This all requires high-performing, ultra-pure silicon of the kind Topsil can manufacture as one of very few players worldwide.

FINANCIAL RESULTS FOR THE YEAR

At the beginning of the year, Topsil expected revenue and EBITDA to be on a level with our 2012 performance, as a minimum. As a result of increased NTD sales for a number of one-off projects, we increased our full-year guidance in the Q2 report from revenue in the region of DKK 290 million to revenue in the region of DKK

300 million, and EBITDA from about DKK 13 million to about DKK 20 million. In our Q3 report, we further specified our guidance for revenue to be in the region of DKK 310 million.

Topsil's revenue for 2013 was DKK 312.1 million, an 8% year-on-year increase from DKK 289.6 million in 2012. EBITDA was DKK 21.0 million, which was a 64% year-on-year increase from DKK 12.8 million in 2012. The revenue and EBITDA were in line with the most recently announced guidance.

Despite the improved performance, our business is not yet profitable. For this reason, Topsil's Management does not consider the financial results to be satisfactory and will continue to work intensively to improve performance in 2014.

A CLEAR STRATEGY YIELDS RESULTS

Our strategy, "Executing on Opportunities," aims to make Topsil stronger through long-term profitable growth. This growth is to be generated through aggressive marketing efforts combined with a large number of in-house efficiency improvements.

The results achieved in 2013 included:

- Revenue from FZ-PFZ products increased by 27% year on year, and we submitted next-generation FZ-PFZ wafers (200 mm diameter) for customer qualification. Qualification is currently in progress at several major customers.

- We continued our work to build up customer relations on the strategically important Japanese market. Qualification was initiated at several key customers, and we established a subsidiary in Japan towards the end of the year. In early 2014, we signed an agreement with a Japanese business partner to grow the market and strengthen sales.
- Our focus on sourcing partnerships with suppliers and production efficiency resulted in substantial cost improvements.
- After our new plant for production of ultra-pure silicon was qualified by customers, we began transferring production from our previous location.
- Topsil Poland was certified to the TS16949 standard, and all our production locations are now covered by the certification. The TS16949 standard is a demanding quality management standard that originates from the automotive industry, and which is demanded by both current and potential customers.

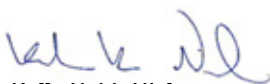
Other results achieved

- We simplified the management structure at Topsil Poland and increased the integration of the Danish and the Polish organizations.
- We strengthened our Management Board by appointing a new CFO.

Accordingly, we made great progress relative to our plans, and we are pleased to note that the price of Topsil's shares rose by 87% in 2013

Topsil has in recent years undergone major changes as a result of market developments and driven by our goal of creating a better and more profitable business. We have already come a long way in this work. Without the skills and dedication of our employees, it would have been impossible to take Topsil to where we are today, or to take the next steps into the future. I would therefore like to extend my special thanks to all Topsil employees for their untiring efforts during the past year.

I would also like to thank our customers and investors for their support during the past year.



Kalle Huidt Nielsen
CEO, Topsil

EXPECTATIONS FOR 2014

Revenue for 2014 is expected to be at the 2013 level, which was positively affected by extraordinary orders in Q2 to the extent of 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 adverse effect of lower sales prices.

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.

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.

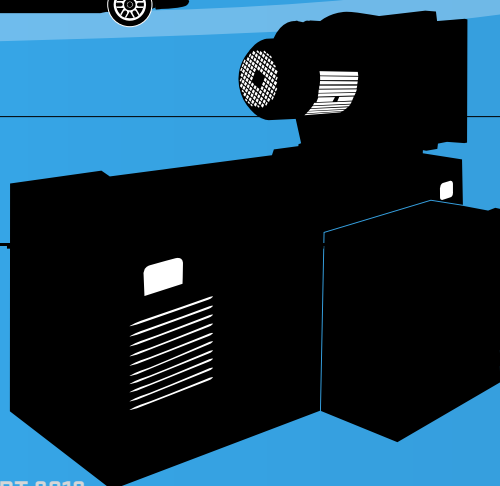


SILICON IS USED IN ALL PARTS OF MODERN SOCIETY

ELECTRIC CARS AND HYBRID VEHICLES

Electric cars and hybrid vehicles are expected to become more common on the roads in future. However, they can only run if their batteries are charged beforehand, and it is only possible to shift to a higher or lower gear if the electricity supply is regulated.

Silicon has good power control properties and may be used for energy-efficient electricity supply and regulation. Silicon is used, for example, under the bonnet and in the charging stations used to charge the car.



WIND TURBINES

A wind turbine must be able to catch the wind and rotate, generate electricity and connect to and disconnect from the power grid depending on the wind force. Intelligent electronics is required for operating wind turbines and transporting energy, and this is where silicon comes in.

Silicon is used in the electric components of the wind turbine nacelle. It is also used in the transformer system collecting energy and distributing it to the power grid.



PRODUCTION MACHINERY

Industry needs electricity to manufacture goods. Production machinery requires turning on and off, and it must be possible to adjust electric energy and speed.

Silicon is used in machine control mechanisms and electric motors to control and conduct electricity. Silicon is a highly efficient material contributing to optimum machine control as well as to optimum energy consumption.

TOPSIL IN BRIEF...

- Topsil's is a dedicated manufacturer of ultra-pure silicon. The silicon products we produce are so pure that only a handful of companies in the world have sufficient knowledge and capabilities to produce it.
- Topsil provides silicon in wafers. Ultra-pure silicon is used in advanced electrical components that form part of various high-voltage applications.
- Topsil was founded in 1959 by Dr. Haldor Topsøe. The Company is listed on the Nasdaq OMX Nordic stock exchange. Topsil is headquartered in Copenhagen Cleantech Park, Frederikssund, Denmark, and has subsidiaries in Warsaw, Poland and Kyoto, Japan.
- Topsil's customers are mostly large multinational corporations in the semiconductor industry, and a few are

research institutes and universities located all over the world.

- The mega drivers of Topsil's main market, the power market, are population growth and the global rise in per capita income. Population growth – and growing middle classes – leads to increased demand for energy and a functional energy infrastructure, transport investments, green energy and energy efficiency. In order to exploit this long-term market potential, Topsil has invested substantially in new facilities, technology and equipment.
- Topsil generated revenue of DKK 312.1 million in 2013 and had an average of 344 employees.

Learn more at: www.topsil.com

ELECTRIC TRAINS

Electric trains moving at high speeds pick up energy from overhead wires and the rails. An energy-efficient electricity supply is required, and this is where silicon comes in.

Silicon also helps regulate train speed and pick up energy. For example, it is used in complex power control systems installed on top of and underneath trains.

POWER GRIDS

Silicon contributes to energy-efficient transport of electricity. In the intelligent electricity distribution network of the future, "Smart Grids," different energy sources may be connected or disconnected according to need in order to balance consumption day and night.

Silicon helps convert electricity from, for example, alternating current to direct current, to connect to the grid and ensure a smooth transport of current, often over long distances.

UPDATE ON STRATEGY: EXECUTING ON OPPORTUNITIES

Topsil's strategy 2013-2015 "Executing on Opportunities" builds on significant investment in the development of next-generation silicon wafers, new production equipment and new, future-proofed production facilities. The strategy aims at optimal utilisation of the investment programme now completed, the goal being to strengthen Topsil's overall position in the power market. This will be pursued by increasing sales of new products on several key markets and by comprehensive efficiency improvements. Moreover, a number of current projects will be completed, and a sound financial foundation will be ensured.

BACKGROUND FOR THE STRATEGY

"Executing on Opportunities" 2013-2015 builds on the development of a number of new products and significant investments in new, upgraded production facilities and equipment in the preceding period. Beginning in 2006, demand for ultra-pure silicon rose significantly, but it dropped again from mid-2011 onward. Economic difficulties in a large number of industrialised countries meant that planned investment in, for example, better power grids, faster and more environmentally-friendly public transport facilities and green transition were either revised or postponed.

This resulted in a substantial drop in demand, especially in late 2011 and all of 2012; but it did not change industry expectations of positive developments in the market going forward. Global trends, such as larger middle classes in the growth economies and the resulting demands for energy, goods and transport,

increased urbanisation, and political focus on climate change and energy transition all point towards greater demand for the type of ultra-pure silicon manufactured by Topsil.

So "Executing on Opportunities" is based on investments already made and a market with a low level of visibility. Through a niche focus on the power market, the strategy aims to balance aggressive market efforts with a strengthening of in-house efficiency in order to make Topsil stronger.

THE MAIN CHARACTERISTICS OF "EXECUTING ON OPPORTUNITIES"

The "Executing on Opportunities" strategy is built on four main elements. The key points are:

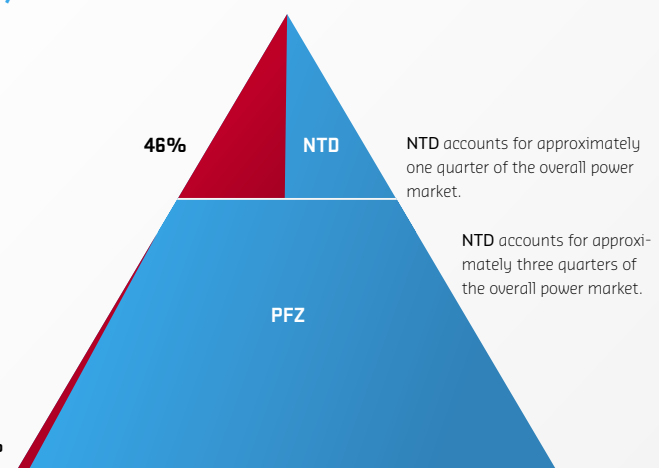
MARKET STRUCTURE, NTD AND PFZ, THE POWER MARKET

The figure shows the relative proportions of the two silicon substrates, FZ-NTD and FZ-PFZ respectively, in the power market. Topsil has a relatively large share of the NTD market, while its share of the PFZ market is moderate.

In the next few years, Topsil especially aims to strengthen its position in the PFZ market, which is where the highest market growth is expected to materialise.

■ Topsil's share of PFZ and NTD substrates in the power market in 2013 (Topsil).

3%



STATUS OF THE STRATEGY – KEY MILESTONES IN 2013

- From 2012 to 2013, revenue from FZ-PFZ silicon wafers rose from DKK 32.1 million to DKK 40.7 million, equivalent to 27% in terms of Danish kroner revenue. The increase was achieved through Topsil's focus on increasing sales of a number of new, technically improved FZ-PFZ products. Topsil submitted next-generation PFZ silicon wafers (200 mm) to key customers for qualification in late 2013.
- Topsil continued its work to establish customer relations on the strategically important Japanese market, including by initiating customer qualifications, and also established a subsidiary in Kyoto towards the end of the year. After the end of the period, an agreement was signed with a Japanese business partner to grow the market and strengthen sales of ultra-pure silicon.
- Cash generated from operations improved in 2013, with a cash inflow of DKK 18.3 million generated from operations (2012: an outflow of DKK 3.8 million). This was mainly driven by the improved performance and continuing focus on reducing working capital.
- Topsil continued the efficiency-enhancing activities initiated. The results included increased recycling of silicon waste (remelt) and a higher rate of yield in the manufacture of wafers.
- The new plant for manufacturing ultra-pure silicon was qualified by customers according to plan in the autumn of 2013, and subsequently, the transfer of existing production to the new plant began.
- A focus on sourcing partnerships with suppliers resulted in adjustments of agreements to bring them in line with market terms.
- Topsil Poland was certified to the TS16949 quality standard, and the entire organisation now complies with a common quality management system which involves comprehensive requirements for methods and documentation. This certification is being demanded by current and potential customers, and it provides better access to the strategically important automotive segment comprising electric cars and hybrid vehicles.

- Topsil aims to expand its position in the power market for high and medium voltage through technically-enhanced products (especially FZ-PFZ silicon) and next-generation silicon wafers (200 mm).
- In particular, Topsil will focus on strengthening its position on the Japanese market, which in 2013 was estimated to account for one-third of the global market for ultra-pure silicon. Currently, Topsil has only a very limited share of this market. Furthermore, Topsil aims to strengthen its position in the strategically important Chinese market by providing local support to Chinese customers currently being served out of the Company's headquarters in Denmark.
- Topsil plans to exploit the potential of investments already made. Investments in the strategy period are expected to be lower than depreciation charges. Furthermore, focus will be on reducing working capital and increasing cash flows from operations.
- Topsil intends to increase capacity and make production more efficient in order to enhance its competitiveness. Topsil aims to increase its raw materials utilisation rate and efficiency in all parts of the production chain and across all locations.

STRATEGY PERIOD TARGETS

By implementing comprehensive improvements and efficiency enhancement of its production and supply chain, Topsil will seek to reduce the average variable cost per wafer by a minimum of 15% during the strategy period.

With an investment level that is expected to be lower than depreciation charges and with a focus on reducing working capital, Topsil expects to achieve a cash conversion rate in excess of 100% in the strategy period as a whole, the definition of cash conversion being (cash flow from operations plus cash flow from investments) / (profit/loss after tax).

The increased cash flow is expected to be used to help the Company comply with its dividend policy and to reduce its bank debt.

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TOPSIL IN THE WORLD

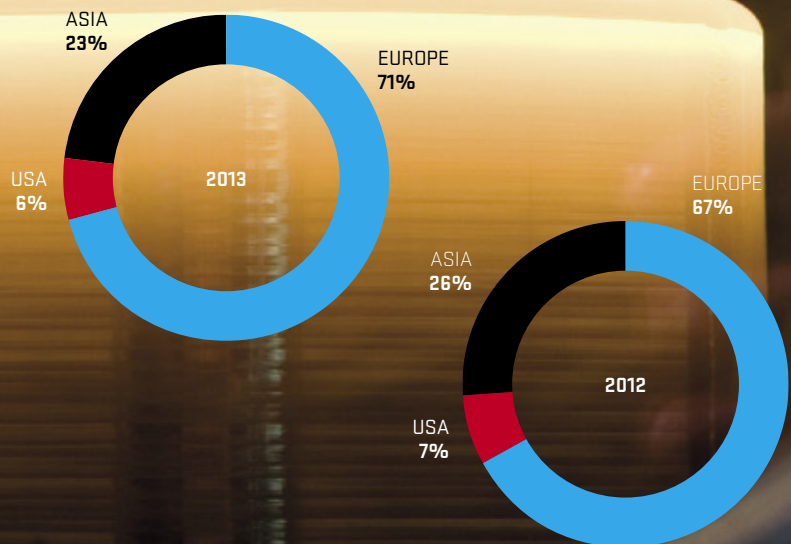
Topsil has sales activities in three continents: Europe, Asia and the United States. For a number of years, Europe has accounted by far most of the revenue.

Topsil aims to strengthen its position in Asia in the years ahead focusing on Japan and China, and especially with silicon products for high- and medium-voltage components (ultra-pure silicon).

In 2013, Topsil's sales of ultra-pure silicon grew in Japan, whereas sales in Asia as a whole declined, primarily as a result of lower sales of silicon for the lower voltage segments. (Czochralski silicon).

For the year as a whole, Topsil's revenue grew by 8% in a power market that declined by 3%. In other words, the Group won market share.

THE FIGURES SHOW TOPSIL REVENUE, SPLIT INTO GEOGRAPHICAL MARKETS, 2013 RELATIVE TO 2012.



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MARKETS AND CUSTOMERS

Topsil's silicon is sold to the global semiconductor industry. By far most of the products are used as critical basic material in high-performance components for the power market, designed to fit in a power module or directly in a high-voltage application. The components have different areas of application and are used especially in energy infrastructure, the transport sector, industry or in green energy applications.

In spite of positive mega trends, the market has seen lower demand since mid-2011 than in the preceding years. The industry is currently only cautiously optimistic with respect to developments in the short term, whereas a good market potential is expected in the longer term.

MARKET DEVELOPMENTS IN 2013

Semiconductor Equipment and Materials International (SEMI), the semiconductor industry association, retrospectively monitors sales of silicon to the power market and the other semiconductor markets. For 2013 as a whole, SEMI reported an unchanged market size as compared to 2012 in terms of surface area (volume), while the aggregate value of the silicon market declined by about 14%.

Developments in Topsil's primary market, the power market, followed the main trend of the silicon market as a whole. Yole Developpement, which specifically monitors developments in the power market, estimates that the market volume increased marginally, and that the value was just below DKK 5.1 billion in 2013, equivalent to a year-on-year decline of just over 3%. The fall in value applies to all silicon products for the power market, although the greatest decline was seen in silicon for the lower voltage segments.

POSITIVE PROSPECTS FOR THE POWER MARKET

The sales potential on the high voltage levels in the power market is to a certain extent influenced by political factors and generally follows the global community's investments in, for example, energy infrastructure, transport and green energy. This means that national decisions on power grid upgrades, more high-speed trains or more wind turbines have an impact on global demand for silicon.

The industry expects that demand for power components will grow over the next many years, driven by mega trends such as population growth, rising income in growth economies such as China and India where the middle classes will grow considerably, increased urbanisation, and transition from conventional energy

to green energy as well as general energy efficiencies. (IEA, Yole Developpement).

Moreover, the industry expects an increase in demand for silicon wafers with a diameter of 200 mm (8") at the expense of smaller size silicon wafers.

TOPSIL FOCUSES ON THE GROWTH AREAS IN THE POWER MARKET

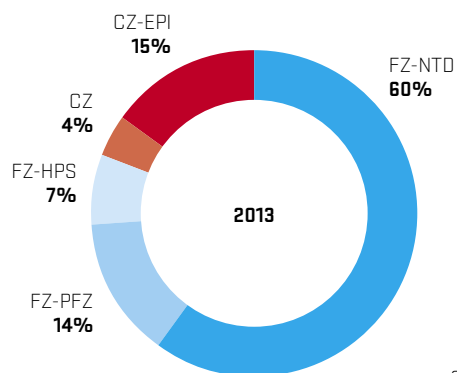
Power electronics and power components are used where there is a need to convert voltage, amperage or frequency. The market for power electronics, also called the power market, covers the whole range from very low voltage segments, for example in computer power supply and other consumer electronics, to the highest levels of voltage, covering for example control systems for high-speed trains or power distribution networks for energy-efficient transport of power over long distances.

Topsil's ultra-pure silicon is especially applied for the power components that handle high and very high voltage segments. Most of the products by far are intended for use in the market's most complex, high-performance components, which are used particularly in the energy sector, for high-speed trains and energy-intensive industrial engines ((FZ-NTD silicon). In the years ahead, the growth in the power market is expected to materialise especially within products for the high- and medium-voltage areas, including power grids, trains, electric cars and hybrid vehicles, and industrial facilities (Yole Developpement).

In order to turn the expected developments into growth, Topsil has developed next-generation silicon wafers with larger diameters (FZ-NTD, FZ-PFZ and FZ-HPS) as well as a number of new products specifically addressing the slightly lower voltage seg-

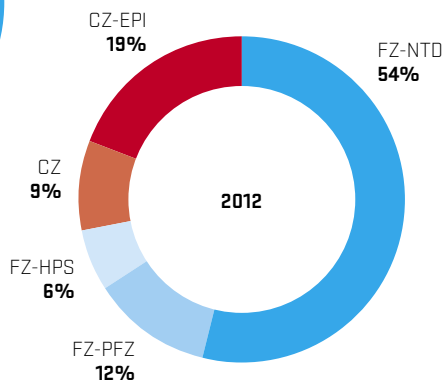
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REVENUE BY PRODUCT TYPE

The diagrams show developments in Topsil's revenue by product type from 2012 to 2013.



The primary products are FZ-NTD and FZ-PFZ, and CZ-EPI and CZ, all of which are sold to the power market. HPS is a float zone-based specialty product used in detectors and which is not sold in the power market.

ments (primarily FZ-PFZ silicon), where Topsil expects to increase its market share.

GROWTH PLANS REQUIRE AN INCREASED PRESENCE IN ASIA

Topsil aims to increase sales over the next few years. Growth is to come partly from an expansion of existing customer relations, and partly from new customer relations, especially in two strategically important markets: Japan and China.

Topsil is well positioned on the European market and has increased its activities in Japan during the strategy period. It is estimated that Japan buys about one third of the global production of ultra-pure silicon, and Topsil has so far had minimal sales to Japan. In late 2013, a subsidiary was established in Kyoto, Japan, and in the following month an agreement was signed with Japanese-based Electronics and Materials Corporation Ltd. (E&M), which will collaborate closely with Topsil to grow the market and increase sales of ultra-pure silicon in Japan.

Topsil is established in Europe and Japan and has sales representation in Korea, the United States and China, which also includes Taiwan.

STABLE CUSTOMER RELATIONS

The vast majority of Topsil's silicon products are sold through long-term contracts signed with six large key customers. The contracts guarantee the customers a minimum supply of silicon from Topsil over a number of years, and a certain minimum revenue during the contract period is agreed. In addition to its contract customers and other major industrial customers, universities and other knowledge institutions also demand the high quality products, delivered by Topsil.

SALES BY GEOGRAPHY AND PRODUCT TYPES

Topsil's revenue increased by more than 8% from 2012 to 2013. The increase in revenue in 2013 was related to the European market, which grew by 15% year on year. Conversely, revenue generated in Asia was down by 8%, mainly reflecting falling sales of products for the lower voltage segments (CZ and CZ-EPI) which in particular was impacted by the weak Japanese yen.

FZ-NTD accounted for 60% of sales in 2013, up from 54% in 2012, equivalent to a 20% growth in terms of Danish kroner revenue. Likewise, sales of FZ-PFZ products increased to 14% of total revenue, up from 12%, corresponding to a sales increase of 27% in terms of Danish kroner revenue. The product category CZ/EPI, which partly overlaps the PFZ application areas, but also covers power supplies for computers and other power-driven electronic equipment, fell from 19% to 15% of revenue. Sales of CZ silicon, which covers the lower voltage segments, amounted to 4% of revenue against 9% in 2012.

Revenue by substrates and geographical markets in 2013 is shown in the table below.

Markets	Substrates 2013	
	FZ	CZ/EPI
EU	62%	9%
USA	4%	2%
Japan	1%	9%
China	12%	0%
Other	1%	0%

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PRODUCTS OF HIGH COMPLEXITY

A silicon wafer goes through a large number of process steps from raw material to finished product. Purity and accuracy is essential in each step in order to give the wafer the specified electrical properties. Accordingly, tight control of the production process and third-party suppliers is key to establishing and developing customer relations.

Before a silicon product can be approved by a customer, it goes through extensive quality testing. If the product properties, price and delivery time are satisfactory, there will be a basis for starting up production.

AN INDUSTRY WITH HIGH BARRIERS TO ENTRY

Any company in the silicon industry needs extensive specialist knowledge about the properties of silicon as a material, a carefully controlled production process and complex and costly production equipment. That is a requirement for producing an end product with extreme purity and, thus, a high and uniform

quality. An ultra-pure silicon wafer has such a high level of purity that its final applicability cannot be measured by measuring equipment, it must be tested in components to verify that it is working. Such approval is achieved through extensive customer testing in a qualification process. A qualification process is highly resource-intensive for both the customer and the supplier and



FLOAT ZONE (FZ) AND CZOCHRALSKI (CZ) IN THE POWER MARKET

The figure shows how Topsil's two manufacturing technologies, ultra-pure silicon based on float-zone (FZ) technology, and Czochralski (CZ) silicon, complement each other in the power market. Measured by voltage segments, ultra-pure silicon (FZ) can handle the highest voltage segments, while Czochralski-based silicon covers the lower voltage segments.

The figure shows that the areas of application overlap. Competition in the field of CZ-based products is more pronounced than in the field of FZ products, and there is more competition for FZ-PFZ silicon than for FZ-NTD silicon.

Please note that the size shown in the figure is not exact, neither with respect to market sizes nor the applications shown.

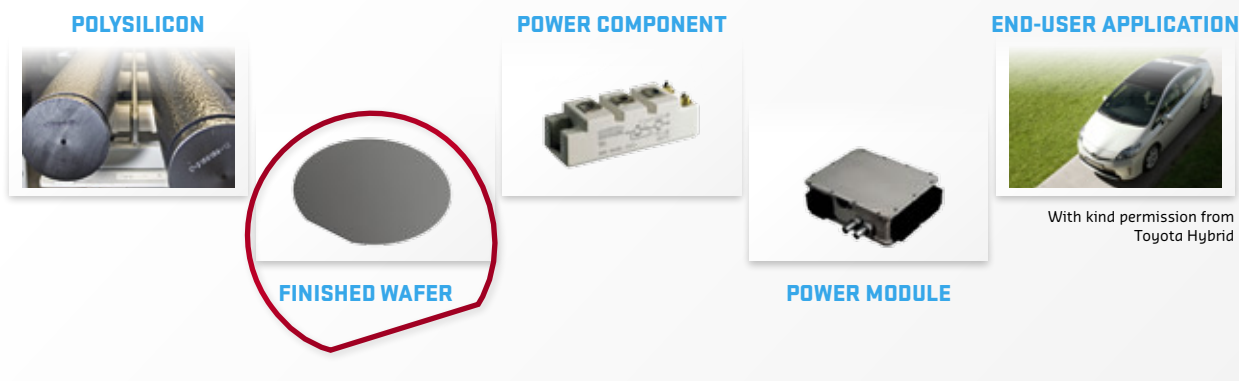
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THE VALUE CHAIN

Topsil produces and supplies finished silicon wafers. The silicon wafer can be used in its full size or be cut up into smaller pieces and then used in power components.

The components are used individually or in series and may be integrated in modules before being used in the end-user application, in this case an electric car.



typically takes a year or longer. If a qualification process is satisfactory, there is a basis for starting up actual production.

TECHNOLOGY PLATFORM AND PRODUCTS

Topsil's products are manufactured on the basis of two different technologies. The float zone technology (FZ) is the primary basis for Topsil's business. The technology is used in the production of ultra-pure silicon, which is characterised by its high purity and very high degree of electrical uniformity. That makes ultra-pure silicon suitable for highly demanding electrical components in sophisticated high-voltage applications. The Czochralski method is much more widely used in the semiconductor industry. It is especially used for consumer electronics which accounts for most of the aggregate semiconductor market by far.

The float zone technology is used in the production of several types of ultra-pure silicon. Topsil supplies FZ-NTD and FZ-PFZ to the power market and also, on a smaller scale, delivers FZ products for use in specialty areas. The FZ-NTD product is neutron-irradiated silicon used for the most demanding power components and the highest voltage segments, for example the power distribution grid or high-speed electric trains. The FZ-PFZ product type is gas-doped float silicon with a lower degree of electrical uniformity. FZ-PFZ silicon is suitable for high- and medium-voltage components which are used in, among other things, electric cars and hybrid vehicles. Float-zone-based silicon is produced at the Company's plant in Denmark, whereas post-processing is carried out by the subsidiary in Poland or by sub-contractors.

The Czochralski technology is used for the product types CZ and CZ-EPI. CZ-EPI silicon is a refined version of CZ silicon, for which the finished product is coated with an extra crystalline layer, thus improving the product's conducting properties, for example for power supply units for computers. Topsil's Czochralski production is handled by its subsidiary in Poland.

LONG AND COMPLEX PRODUCTION PROCESS

The lead time from when Topsil receives raw materials (polysilicon) until a finished silicon wafer is ready for shipment to the customer is relatively long. A finished silicon wafer has been through more than 100 process steps to achieve the required extreme purity.

The raw material, which has different technical characteristics, is received in solid form and is then prepared for processing. It is then remelted at induction heat using specially developed production equipment, whereby a uniform crystal is formed, and doping substances are added in order to give the material the required electrical properties. The silicon crystal is subsequently cut into wafers which again are post-processed according to product type, including by the surface treatment according to customer specifications.

The post-processing is partly carried out by the subsidiary in Poland and partly by third-party suppliers.

Topsil in the world
Products of high complexity

Market and customers
 A modern technology company

CAREFUL SUPPLIER MANAGEMENT

On-time delivery is vital to Topsil. If Topsil’s customers do not receive their silicon at the agreed time, it may cause significant delays in the production of major component series, and in very expensive production plant standing idle, thus resulting in massive losses. For this reason, Topsil follows up closely on the individual product series and is continually focused on shortening process times.

As Topsil does not handle every single step of the production process from raw material to the finished wafer in-house, a close partnership with sub-contractors and careful supplier management are vital elements in ensuring the right quality and delivery times. Key suppliers are audited regularly to ensure that Topsil has maximum insight into and control of their production conditions and processes and in order to be able to identify and address any risks in a timely manner. Auditing is conducted pursuant to the TS16949 quality management system, which makes great and detailed demands on manufacturers and suppliers. Moreover, Topsil has developed a solid, extensive network of suppliers in areas of major importance to the production process. This applies not least to the access to radiation capacity.

ACCESS TO THE CRITICAL RAW MATERIAL FOR MAKING ULTRA-PURE SILICON

Ultra-pure silicon is produced on the basis of polysilicon or “poly”. The production of the raw material is particularly complex and costly. Only two companies in the world are currently capable of

supplying poly in a quality that makes it suitable for use. Topsil has signed long-term contracts with both suppliers in order to ensure a continuing supply of the required raw material.

For certain types of applications, CZ crystal can be used as raw material in FZ production. Using its own in-house Czochralski production technology, Topsil is consequently in a position to develop raw materials for float-zone silicon should this become necessary.

RAW MATERIAL FOR CZOCHRALSKI SILICON ON MARKET TERMS

Topsil has not signed long-term procurement contracts for raw materials for its Czochralski production. The reason is that the raw materials are available on market terms from several producers.

ACTIVITIES OUTSIDE OF THE MAIN BUSINESS: PROPERTY MANAGEMENT

Topsil holds a significant interest in the property company Cemat’70 S.A., which is based in Warsaw, Poland.

The original shareholding of just over 50% was part of the acquisition of Topsil’s subsidiary in 2008, and Topsil Poland is one of the lessees of the property company.

Topsil increased its investment in Cemat’70 S.A. to 78% in 2012 in order to obtain a controlling interest in the company and all its affairs. Topsil aims to sell the entire shareholding. The activities relating to property management accounted for DKK 13.8 million of revenue in 2013.

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A MODERN TECHNOLOGY COMPANY

Silicon must be flawless in order to be used for the manufacture of power components. In addition to extensive quality requirements, customers also expect that their demands for flexibility, efficiency and product improvement are met.

Topsil's new facilities for producing larger-diameter silicon wafers with improved properties have been developed specifically in response to the customer demands of tomorrow. Staying continually focused on employee training and better use of resources helps increase efficiency and thus reduce production costs.

QUALITY MANAGEMENT AND EMPLOYEE TRAINING

Silicon must be flawless and of the highest quality to be functional for a long time and useable for further production of high quality products. In order to meet the required standards, each step of the production process must follow carefully planned procedures, and electrical parameters are controlled very carefully according to the SEMI standard and other relevant specifications.

Topsil has implemented a finely meshed quality management system at all its locations which complies with the strict requirements of the TS16949 standard. TS16949 is especially known from the automotive industry and is characterised by making significant requirements to company methods, processes and documentation.

At the end of the day, it is the employees who ensure that the strict quality requirements are complied with. The system does not work if the employees do not have the right skills or understanding of the importance of quality assurance. For this reason, Topsil employees follow carefully planned training programmes before they are able to handle individual processes on their own. Additional training takes place on an ongoing basis.

STATE-OF-THE-ART PRODUCTION SUPPORTS EFFICIENCY

Topsil's objective for making the substantial investment in the new plant and new production equipment was partly to support the production of next-generation silicon wafers and partly to improve its competitive position vis-à-vis its customers and competitors. The new plant provides a much cleaner production environment and the opportunity to make production more efficient.

In addition, the new production equipment helps reduce waste and increase raw material utilisation. The work is supported by the implementation of "Lean" and "SixSigma" principles for continuing process optimisation. Whereas Lean focuses on reducing costs, SixSigma focuses on reducing the number of errors.

Topsil continually works to minimise the consumption of resources in order to reduce its environmental impact. The measures introduced include, for example, development or upgrading of production equipment, recycling of resources and continual monitoring of developments in consumption in order to identify additional improvement potential. The work to mitigate the Company's environmental impact complies with the ISO14001 environmental standard, which is applied in all locations.

OPEN INNOVATION IN CLOSE COLLABORATION WITH CUSTOMERS AND UNIVERSITIES.

The development and subsequent qualification of new silicon products is a time-consuming process. The period from commencement of a development project, including determination of trial design and machinery adjustments, through the trial phase comprising in-depth measurements and data retrieval to initial customer tests often takes several years. If the test material meets the customer's expectations, a customer qualification process can begin. The entire development process goes through a precisely defined development procedure.

Topsil's development activities take place in close dialogue and collaboration with customers and research communities. The development in recent years of next-generation silicon wafers and technically more sophisticated products are specific examples of

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development based on customer requests. As a result of these efforts, Topsil can now offer a complete product range within its areas of focus.

The SEMPEL project, whose purpose is to investigate how gallium coated silicon components can be used in the power market in future, is another example of how Topsil collaborates with research communities. This project is a collaboration between Danish and foreign universities and a number of commercial partners. The project is mainly funded by the Danish Council for Strategic Research.

PROTECTION OF TRADEMARKS AND KEY TECHNOLOGY

The protection of knowledge and products makes up a critical part of Topsil's business platform. Topsil has taken out patents for its key technology and equipment and registers its relevant trademarks in selected markets in accordance with the Company's strategy. The Company continuously monitors that its rights are not infringed.

EMPLOYEE KNOWLEDGE AND MOTIVATION ARE KEY DRIVERS

Topsil relies heavily on its knowledge resources in the form of its highly skilled and motivated silicon specialists. It is management's job to ensure that the organisation always has the right employee skills, and a number of HR tools have been implemented for this purpose, including regular performance interviews to align job and skill requirements. In addition, regular employee surveys are conducted across the organisation in order to gauge the general level of job satisfaction and job motivation.

Topsil's staff holds significant knowledge resources and specialist skills in the field of silicon production. The average number of employees was 344 (full-time equivalent) in 2013, down from 358 in 2012. At the end of the year, the Company had 355 full-time employees: 98 in Denmark and 257 in Poland. The average seniority at Topsil in 2013 was 9.7 years (Denmark 8.4 years, Poland 10.9 years) and the average age was 43.5 years, (Denmark 45, Poland 42).

FINANCIAL PERFORMANCE

Topsil's revenue and EBITDA improved in 2013 amongst others due to increased sales activities. Tight cost control led to a reduction of the cost base in spite of higher costs relating to parallel operations at two locations in Denmark. Inventory reductions strengthened working capital, and the cash flows from operating activities were improved as a result of the improved operating results and the focus on reducing working capital.

GROWTH IN A DECLINING MARKET

Revenue in Q4 2013 was DKK 74.7 million, up from DKK 72.5 million in Q4 2012, equivalent to a 3% year-on-year increase. Revenue for the full year was DKK 312.1 million against DKK 289.6 million in 2012, equivalent to a revenue increase of 8%. In the same period, the value of the power market was down by just over 3% year on year, so Topsil increased its market share in 2013.

At the end of H1, increased silicon sales for a number of one-off projects resulted in an upgrade of Topsil's guidance in the interim report for Q2 2013. Revenue for the full year was at level with the most recently announced guidance of revenue in the region of DKK 310 million for the 2013 financial year.

In 2013, 81% of consolidated revenue was generated from FZ products, up from 72% in 2012. Sales of Topsil's main product, FZ-NTD, were up by 20%, and the strategically important FZ-PFZ products generated 27% growth in 2013.

Sales of CZ and CZ-EPI products were down by about 25% year on year. The decline was due to the general decline of the market for Czochralski-based silicon amongst other due to the weaker Japanese yen and the fact that sales in 2012 were lifted by a customer contract which ensured increased capacity utilisation of the CZ production.

CONTRIBUTION RATIO SQUEEZED BY INCREASED PRICE COMPETITION

The contribution ratio was 46.3% in 2013, a year-on-year decline by 1.3 percentage point. The reduction was mainly the result of increased price pressure towards the end of the year, partially offset by improvements due to the focus on sourcing collaboration and production efficiency.

COST BASE REDUCED IN SPITE OF INCREASED COSTS OF PARALLEL OPERATIONS

Other external costs and staff costs totalled DKK 123.5 million in 2013, down from DKK 125.0 million in 2012, equivalent to a DKK 1.5 million reduction (1.2%). Performance in 2013 was affected by increased costs relating to parallel production at two locations in Denmark and, moreover, costs incurred to start up the transfer of production. Adjusted for this, the underlying cost reduction was higher and reflected the effect of the cost saving programmes implemented and the continuing focus on costs.

The average number of employees in the Group was reduced by 14 in 2013 to a total of 344, down from 358 in 2012. The number of employees in the Group at 31 December 2013 was 355.

Other external costs and staff costs amounted to 39.6% of revenue in 2013, down from 43.2% in 2012.

EBITDA IMPROVED BY 64%

EBITDA was DKK 2.1 million in Q4 2013 against DKK 0.1 million in the same quarter of 2012, equivalent to an EBITDA margin of 2.8% against 0.0% in the same period of last year.

EBITDA for the 2013 financial year was DKK 21.0 million, equivalent to an EBITDA margin of 6.7% against an EBITDA of DKK 12.8 million and an EBITDA margin of 4.4% in 2012. The EBITDA increase by 64% was mainly attributable production efficiencies, lower staff costs, and the effect of the cost savings programmes implemented.

EBITDA was at level with the latest guidance of an EBITDA in the region of DKK 20 million.

GREENFIELD AND NEW MACHINERY BROUGHT INTO USE AND DEPRECIATION STARTED

Depreciation and impairment for 2013 was DKK 27.4 million, up from DKK 26.7 million in 2012.

Depreciation of the new plant (Greenfield) commenced from and including April 2013, and of the new machinery from September 2013. Depreciation charges in respect of the new plant and the new machinery totalled DKK 3.6 million in 2013 and will result in an annual depreciation charge of DKK 6.8 million going forward.

Performance in 2012 was affected by increased depreciation charges on assets that could not be transferred to the new plant. This resulted in additional depreciation charges of DKK 1.6 million in 2013.

LOSS FOR THE YEAR REDUCED BY DKK 14.9 MILLION.

Topsil's EBIT for 2013 was a DKK 6.4 million loss against a loss of DKK 13.9 million in 2012, corresponding to a negative EBIT margin of 2.0% relative to a negative EBIT margin of 4.9% in 2012.

Financial items were a net expense of DKK 6.3 million in 2013, up from DKK 3.7 million in 2012, which was mainly attributable to

increased interest on bank debt. In 2013, interest totalling DKK 2.1 million was capitalised relating to construction of property, plant and equipment, against DKK 3.5 million in 2012.

Topsil incurred a loss before tax of DKK 12.7 million for 2013 against a loss of DKK 17.6 million in 2012. Tax on the loss for the year was income of DKK 2.9 million. Topsil reported a net loss of DKK 9.8 million for 2013 against a net loss of DKK 24.7 million for 2012.

Management considers the performance to be unsatisfactory.

BALANCE SHEET REDUCED BY DKK 29.6 MILLION

Total assets amounted to DKK 656.6 million at 31 December 2013, which was DKK 29.6 million or 4.3% lower than in 2012. This fall was mainly due to a reduction of non-current assets by DKK 15.8 million and a reduction of inventories by DKK 14.6 million.

The fall in non-current assets was due to guarantees provided to suppliers being written down according to the contracts and a lower level of investment as new investments were lower than the year's depreciation charges.

In 2013, the Greenfield project was completed, and the new machinery at the plant was brought into use. Accordingly, property, plant and equipment in progress was reduced from DKK 189.2 million at year end 2012 to DKK 14.0 million at year end 2013. The amount was classified to the respective asset groups, and depreciation of the finished assets was initiated.

**REDUCTION OF INVENTORIES
 IMPROVED NET WORKING CAPITAL**

Topsil's net working capital was DKK 140.1 million at 31 December 2013 against DKK 142.5 million a year earlier. The DKK 2.4 million improvement was attributable to a reduction of inventories by DKK 14.6 million, which was partially offset by a reduction of trade payables by DKK 13.5 million.

The reduction of inventories was achieved through tight inventory management, reduced raw materials procurement obliga-

tions and increased demand for Topsil's products. The reduction of creditors was partly attributable to a fall in payables for raw materials and the fact that last year's figure included creditors relating to the construction projects.

IMPROVED CASH FLOWS FROM OPERATING ACTIVITIES

Topsil generated a cash inflow from operating activities of DKK 18.3 million in 2013 against a cash outflow of DKK 3.8 million last year. The improvement in cash flows from operating activities was mainly a result of the lower operating loss and the continuing focus on working capital.

The total amount invested was DKK 24.1 million in 2013. The investments comprised DKK 8.5 million invested in development projects, and DKK 15.6 million in production facilities. Overall, these investments accounted for just below 8% of revenue.

Accordingly, net interest-bearing debt was increased by DKK 6.2 million and stood at DKK 158.5 million at 31 December 2013.

At year end 2013, Topsil renewed the agreement with its principal bankers. Under the agreement, its existing facilities were extended until 1 March 2015.

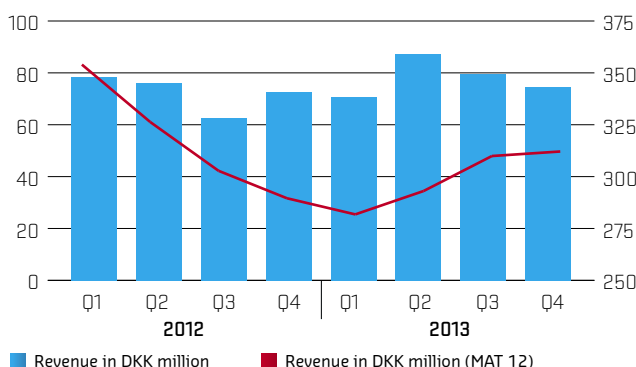
As at the balance sheet date, the Group had cash and cash equivalents of DKK 12.3 million and unutilised credit facilities of DKK 17.7 million.

EQUITY AND MARGINALLY IMPROVED EQUITY RATIO

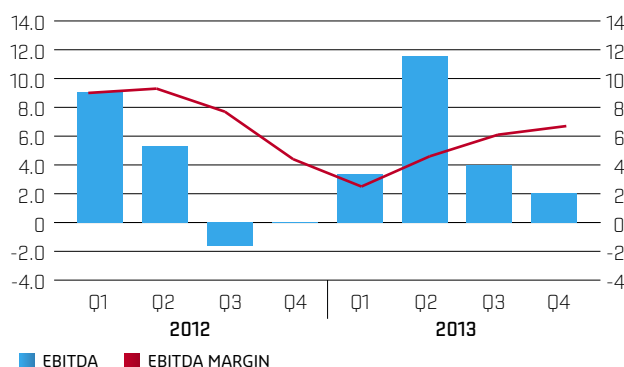
The Group's equity at 31 December 2013 was DKK 394.0 million, of which DKK 376.7 million was attributable to the shareholders of Topsil Semiconductor Materials A/S and DKK 17.3 million was attributable to non-controlling interests in Cemat'70 S.A. The change in equity before non-controlling interests was mainly attributable to the lower net loss for the year.

The equity ratio at 31 December 2013 was 60%, which was marginally higher than a year earlier.

REVENUE IN DKK MILLION



EBITA & EBITA MARGIN



SPECIAL RISKS

Topsil's management wants to ensure that the Group's risk factors are adequately described at all times with the objective of mitigating risks wherever possible. The Board of Directors monitors Topsil's compliance with established guidelines and policies, ensuring that the day-to-day management always works to counter any operational risks. In order to determine the risk factors applicable to the Group, Topsil has established in-house control and risk-management systems. Below is a description of the key risk factors identified. The risk factors are not listed in any order of priority.

MARKET AND BUSINESS RISKS

Most of Topsil's silicon is used for end products within energy infrastructure, transportation, energy-saving solutions and sustainable energy, all of which are areas that are to some extent affected by political decisions. Shifting political tides resulting in changing investment focus, deferments or cancellations will thus have an impact on the Group's activity level and growth potential. Likewise, it may constitute a risk if other demand does not reach the expected level. Topsil seeks to mitigate its risks by being represented in several geographical markets.

TECHNOLOGY AND PRODUCT CHANGE

If new or substitute technologies or production methods are developed that are of the same quality and have the same or better properties as and a lower price than ultra-pure silicon, this would impact the Group's competitiveness. Topsil believes that substitute technologies replacing silicon currently do not pose a threat.

If customer qualifications of the new products fail to materialise or are significantly delayed, this would have an impact on the Group's ability to deliver. Topsil is specifically focused on customer qualifications in order to avoid delays.

COMPETITION

Although Topsil is one of the world's largest suppliers of ultra-pure silicon to the power market, the Group is also a niche player among very large competitors. This may entail business risks as a result of Topsil's weaker capital base. Increased competition in the niche markets could lead to increased price pressure. Topsil continually seeks to achieve efficiency improvements in order to improve its competitiveness.

The CZ market is characterised by a considerable number of competitors and by being very cyclical. Increased competition in the market would entail increased price pressure.

INTELLECTUAL PROPERTY RIGHTS

Topsil has complex technology at its disposal and seeks to protect its intellectual property rights in the best possible way. Any infringement of Topsil's rights may result in costly legal processes requiring substantial resources, and which there can be no assurance that Topsil would win.

CUSTOMERS

Topsil has a number of long-term customer contracts that stipulate the sale of a minimum amount of the Group's products. Should customers not buy the agreed amount of products, this may constitute a risk due to the extent of the contracts.

Sales to the Group's three largest customers account for about 46% of revenue, and two of these customers each account for at least 10% of consolidated revenue. The loss of one or more of the Group's largest customers would therefore have an adverse impact on consolidated revenue. Topsil works to increase its customer base so as to mitigate its dependence on a few individual customers.

SUPPLIERS

There are currently only two suppliers of raw materials for production of ultra-pure silicon. Topsil has long-term contracts with both of them. If the Group loses one or both raw material suppliers, if they do not deliver the agreed amount of raw materials, or if they do not meet the agreed quality requirements, this would have an impact on the Group's production capacity. If the market price of raw materials drops to a level below the contractually agreed prices, the Group may be under an obligation to buy raw materials at prices higher than the market price.

If customers demand smaller amounts of silicon than the amounts Topsil must buy as raw materials, this may result in higher raw material inventories. In order to counter these risks,

Topsil works closely with and regularly negotiates with its suppliers of raw materials. Based on its Czochralski production, Topsil has the opportunity to develop raw materials for ultra-pure silicon in house (float zone production).

The Group continues to rely on having access to irradiation capacity. In order to minimise risk, Topsil has entered into agreements with various irradiation suppliers.

One of Topsil's sub-contractors for wafer production acquired one of the float-zone manufacturers in 2012 and consequently possesses equipment and know-how for float-zone production, which may have a negative impact on this partnership in the longer term.

DISTRIBUTORS

The Group has distributors in a number of geographical markets. If one or more distributors wish to make significant changes to the distribution terms or wish to terminate their contract altogether, this would potentially impact Topsil's revenue in selected geographical areas or from specific customers. Topsil set up a subsidiary in Japan in 2013 in order to be closer to the Japanese market.

PRODUCTION AND ACCESS TO RESOURCES

Ultra-pure silicon must have a high uniform quality. If the Group's products do not meet the agreed quality requirements, this would impact customer relations. If delays in or disruption of the production process or a logistics failure occur, this may entail delays in delivery, which may result in substantial additional costs, claims for rebates, and could cause customer relations to suffer.

The Group has insourced parts of the processing of wafers to its subsidiary in Poland. This in-house processing of wafers has given Topsil a platform from which to further expand its capacity.

Topsil will always depend on being able to attract qualified labour and, given its size, will depend on a number of key employees. If one or more key employees were to leave the Group, there is a risk that significant know-how would be lost.

TRANSFER OF PRODUCTION TO NEW PLANT

The Group has built a new plant in Denmark. The transfer from the old to the new facility requires great management focus and involves greater risk than the Group's ordinary operations. The risks include the transfer, delay of tests and running in of production equipment. In order to mitigate these risks, dedicated employee resources have been appointed to make detailed planning and to complete the transfer.

INSURANCE

Topsil is exposed to a number of risks relating to the operation of its business. In order to mitigate its risks, the Group has taken out insurance cover within a number of general areas, including all risks insurance, transport insurance, professional and product liability insurance, and directors' and officers' liability insurance.

In addition, the Group has taken out workers' compensation insurance based on local conditions.

FINANCIAL RISKS

As a result of the Group's activities, the equity and financial results are impacted by a number of different risk factors, mainly relating to changes in exchange rates and interest rate levels. See note 32 "Financial risks and financial instruments" for further information.

CAPITAL RESOURCES

The Group's capital resources are reviewed regularly and consist of binding loan commitments, operating credits and cash reserves in the parent company and the subsidiaries.

Topsil renewed an agreement with its bankers at the end of 2013, involving an extension of existing credit facilities, which will run until 1 March 2015. Management will ensure that the capital resources are monitored on a continuing basis and that the credit facilities are renegotiated in a timely manner.

Based on the 2014 budget, Management believes that the existing capital resources and the expected future cash flows will be sufficient to maintain operations and to finance the Company's planned initiatives.

The Group's budgets, and consequently also its future capital resources, are inherently subject to risk since the extent as well as the timing of cash flow fluctuations will have an impact on the resources. Management believes that any negative deviations in its operations relative to budgeted cash flows can be mitigated on a timely basis by cash flow-enhancing measures.

Further reference is made to note 32 to the financial statements for a description of cash flows and capital resources.

STATUTORY REPORTS

Statutory report on corporate governance, cf. section 107b of the Danish Financial Statements Act

Topsil's statutory report on corporate governance, cf. section 107b of the Danish Financial Statements Act, covers the period 1 January – 31 December 2013. For 2013, the report is published as a single, full report pursuant to section 107b(1) of the Danish Financial Statements Act.

The report consists of three elements:

- Corporate governance report
- Description of Topsil's management bodies
- An account of the main features of the Group's internal controls and risk management in relation to the financial reporting process.

Topsil's Board of Directors and Management Board continually work with corporate governance principles to ensure that the management structure and control systems are appropriate and satisfactory.

The Board of Directors believes that clear management and communication guidelines help provide an accurate picture of Topsil.

Pursuant to section 107b of the Danish Financial Statements Act and clause 4.3 of the "Rules for issuers of Shares – NASDAQ OMX Copenhagen", Topsil must report on how the Group addresses the latest recommendations by the Committee on Corporate Governance in Denmark of 6 May 2013. The recommendations are available on the website of The Committee on Corporate Governance www.corporategovernance.dk. In preparing the report, Topsil has adopted the "comply-or-explain" principle in relation to each individual recommendation. The Board of Directors believes that Topsil complies with the majority of the recommendations. Topsil complies with 45 of the 47 corporate governance recommendations. The Company complies partially with the remaining two recommendations.

The statutory report on corporate governance 2013, cf. section 107b of the Danish Financial Statements Act, is available on Topsil's website at www.topsil.com/media/131853/corporate_governance13_uk_final.pdf

Statutory report on corporate social responsibility, cf. section 99a and 99b of the Danish Financial Statements Act

Topsil considers corporate social responsibility important and is working to improve in areas such as environmental impact and employee relations. Based on and as a signatory to the UN Global Compact, which contains ten recognised principles for good conduct in the fields of human rights, labour standards, the environment and anti-corruption, the Company sets new targets for improvement from year to year.

Topsil keeps its key customers and suppliers informed about its attitudes and CSR activities and issues an annual Communication on Progress (COP) report which is available at www.unglobalcompact.org. In 2013, Topsil especially focused on environmental improvements and employee safety, and the Company adopted a policy and target for the gender distribution in management positions, cf. section 99b of the Danish Financial Statements Act. The full report for 2013 is available at www.topsil.com/media/131579/topsil_csr13_final.pdf

As a result of its endorsement of the UN Global Compact, separate reporting on corporate social responsibility is not included in this annual report.

SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

Topsil aims to ensure that the Company is seen as a visible, trustworthy, accessible and professional business with a high level of information, a consistent information flow and an open dialogue with investors. This provides the best basis for investors to assess the shares and thus for the share price to reflect the current position of the Company and its future prospects.

Topsil has adopted a number of policies and positions that describe how the Group acts in relation to investors. They describe, among other things, how Topsil ensures that it complies with its disclosure obligations to the equity market and that inside information which it may be assumed would have a significant impact on the pricing of the shares is not accessible to any third party.

Topsil observes a four-week silent period prior to the publication of annual and interim reports, during which Management will not comment on financial matters or participate in investor meetings.

IR policies and positions are available on Topsil's website under "Investors/Management and policies".

Topsil communicates electronically with its shareholders as permitted pursuant to section 92 of the Danish Companies Act and article 17 of the Company's Articles of Association. Shareholders and other stakeholders will automatically receive copies of annual and interim reports and other announcements if they register under "Contacts/Investor Relations" giving relevant data.

The contact to shareholders, prospective investors and equity analysts is handled by the Investor Secretariat, e-mail: investor@topsil.com, tel.: +45 4736 5600.

IR ACTIVITIES

Topsil participated in a number of investor meetings and seminars during 2013 in connection with the presentation of financial results, capital market days and company visits. Further details are available at the Company's website: www.topsil.com, under "Investors/Events and Presentations".

SHARE CAPITAL

The share capital of Topsil Semiconductor Materials A/S amounts to DKK 132,028,539.25 nominal value and is divided into 528,114,157 shares of DKK 0.25 each. Topsil has only one share class, and the share of the capital held corresponds to the share of votes.

The Board of Directors and the Management Board regularly assess whether the Group's capital and share structures are consistent with the interests of the shareholders and the Company. The Company's share capital remained unchanged in 2013.

AUTHORISATIONS

Pursuant to the Articles of Association, the Board of Directors has been authorised by the general meeting of shareholders to issue up to 200 million new shares during the period until 22 April 2018 with pre-emptive rights to existing shareholders and up to 200 million new shares without pre-emptive rights to existing shareholders. The aggregate nominal increase of the share capital may not exceed DKK 50.000.000. Accordingly, a maximum of 200 million new shares of DKK 0.25 each may be issued pursuant to the two authorisations.

Moreover, the general meeting of shareholders has authorised the Board of Directors to issue up to 11,282,634 warrants to managerial staff of the Group during the period until 25 April 2017.

The Articles of Association were most recently updated on 23 April 2013.

SHARE PRICE PERFORMANCE

Topsil's shares are listed on NASDAQ OMX Copenhagen and trade under ISIN code DK0010271584.

At the end of 2012, the share price was DKK 0.38. In 2013, the price of the Topsil share increased by 87%, and the share traded at 0.71 at 31 December 2013, equivalent to a market capitalisation of close to DKK 375 million.

SHAREHOLDER STRUCTURE

At the end of 2013, Topsil had 7,175 registered shareholders owning a total of just over 80% of the share capital. Shareholders who have reported that they hold more than 5% of the share capital are listed in the table on page 23.

EDJ-Gruppen consists of Eivind Dam Jensen and related parties together with companies controlled by Eivind Dam Jensen.

REGISTER OF SHAREHOLDERS

Topsil's shares are issued to bearer, but may be registered by name in the Group's register of shareholders. Shareholders can have their shares registered by name by contacting their custodian institution. Topsil's register of shareholders is managed by Computershare A/S, Kongevejen 418, DK-2840 Holte, Denmark.

TREASURY SHARES

Pursuant to section 198 of the Danish Companies Act, the Board of Directors is authorised to acquire treasury shares for a period of 18 months from the date of an annual general meeting. Topsil did not hold any treasury shares at year end 2013.

TRADING IN THE TOPSIL SHARE BY MEMBERS OF THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

The Board of Directors has adopted guidelines for transactions in Topsil’s shares which apply to the Group, members of the Board of Directors, the Management Board and managerial employees, as well as written guidelines prohibiting the abuse or disclosure of inside information.

The trading window for members of the Board of Directors, the Management Board and others with inside knowledge to whom the guidelines for insiders apply is set at the four-week period following the publication of each interim report and only if they do not possess inside information. Subscription for employee shares/exercise of employee warrants is not covered by the rule even if the subscription/exercise takes place outside the four-week window. It is the responsibility of the Chairman of the Board of Directors to inform insiders in case the trading window is closed due to inside information.

Management’s transactions are subject to a notification requirement and are listed together with Topsil’s announcements on the website under “Investors/Announcements” and in the annual report.

MANAGEMENT’S HOLDINGS OF TOPSIL SHARES

As at 31 December 2013, members of the Board of Directors held 77,480,000 shares (nominal value DKK 19,370,000), corresponding to 14.7% of the share capital and a market value of DKK 55 million, and members of the Management Board held 3,658,738 shares (nominal value of DKK 914,685), corresponding to 0.7% of the share capital and a market value of DKK 2.6 million. In addition, members of the Management Board held a total of 20,637,470 warrants.

The CEO may exercise 6,451,870 warrants during the period from 26 April 2015 up to and including 26 April 2017 at a price of 0.40 plus 8% per annum as from the time of grant, cf. Appendix 4 of the Articles of Association. The EVP, Director of Logistics, Sales & Marketing may exercise 1,128,000 warrants during the same period at a price of 0.51 plus 8% p.a., cf. Appendix 5 of the Articles of Association.

The CEO may exercise 8,800,000 warrants in the period from 23 April 2016 up to and including 23 April 2018. During the same period, the EVP, Director of Logistics, Sales & Marketing may exercise 2,257,600 warrants, and the CFO may exercise 2,000,000 warrants. The price per share is DKK 0.42 plus 8% p.a. for all members of the Management Board.

The holdings of the individual members of the Board of Directors and the Management Board and changes thereto during 2013 can be found on the Company’s website under “About us/Management/Management Board” and are specified in this annual report under “Company Information”

Composition of shareholders at 31 December 2013	Number of shares	Capital DKK	Capital %
EDJ-Gruppen Bangs Gård, Torvet 21, 6701 Esbjerg	76,000,000	19,000,000.00	14.4
Depotet SmallCap Danmark A/S Toldbodgade 53 1253 Copenhagen K	40,256,745	10,064,186.25	7.6
Other registered shareholders	309,346,071	77,336,517.75	58.6
Shareholders not registered by name	102,511,341	25,627,835.25	19.4
Total	528,114,157	132,028,539.25	100.0

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 28 April 2014 at 10:00 am, at Topsil, Siliciumvej 1, DK-3600 Frederikssund, Denmark.

Notices convening shareholders to annual and extraordinary general meetings and agendas for the meetings are sent via e-mail to shareholders who have so requested. Shareholders can register for general meetings and find relevant documents under "Investors" on the Company's website. In addition, Topsil inserts notices of annual and extraordinary general meetings in the Danish newspaper Berlingske Tidende.

At the next annual general meeting, the Board of Directors proposes re-election of the current Board members elected by the shareholders and of the Company's auditors, Deloitte.

DIVIDEND POLICY AND PROPOSED DIVIDEND

It is Topsil policy to distribute approximately one third of the profit for the year after tax, thus securing a cash return to shareholders. Distribution of dividend will, however, only be made with due consideration to the capital structure and investment requirements and opportunities to secure the Group's growth and development.

In 2010, the Company increased its share capital to be able to co-finance the construction of a new plant in Frederikssund, Denmark, in 2011-2012. As a result of Topsil's large funding requirements, no dividend was paid out in respect of the financial years 2010, 2011 and 2012. Due to the current capital structure, the Board of Directors will not propose distribution of dividend in respect of 2013.

ANNOUNCEMENTS IN 2013

2013	Announcement
03.01	No. 1 Next silicon wafer generation submitted for customer qualification
20.03	No. 2 Annual Report 2012
22.03	No. 3 Notice to convene Annual General Meeting
16.04	No. 4 Insiders' trading
22.04	No. 5 Decisions of Annual General Meeting
23.04	No. 6 Change of Management
23.04	No. 7 Topsil establishes warrant programme for members of the management board and managerial employees
24.04	No. 8 Updated Articles of Association
02.05	No. 9 Warrant programme - updated Articles of Association
02.05	No. 10 Updated Articles of Association
28.05	No. 11 Interim report, Q1 2013
21.06	No. 12 Insiders' trading
27.08	No. 13 Interim report, Q2 2013
07.10	No. 14 Change of financial calendar
28.11	No. 15 Interim report, Q3 2013
28.11	No. 16 Financial calendar 2014

FINANCIAL CALENDAR 2014

Date	Announcement	Silent period
25.03	Annual Report 2013	25.02.14 - 25.03.14
28.04	Annual General Meeting	
27.05	Interim report Q1 2014	29.04.14 - 27.05.14
26.08	Interim report Q2 2014	29.07.14 - 26.08.14
25.11	Interim report Q3 2014	28.10.14 - 25.11.14

COMPANY INFORMATION

Board of Directors



JENS BORELLI-KJÆR (born 1960),
 Chairman
 CEO
 MSc (Physics) MBA (INSEAD),
 B.Com. International Trade
 Elected 2006, Chairman 2006
 Current term expires in 2014
**Number of shares held in Topsil
 (own and related parties):** 825,000
 (2012: 1,087,500)
Remuneration paid in 2013: DKK 500,000
**Directorships and other managerial
 positions:**
 Chairman of the board of directors of
 Vitral A/S
 Chairman of the board of directors of UAB
 Vitral, Lithuania
 CEO of CCMA APS
Special qualifications: Business, industrial
 and general management experience from
 various industries (building materials,
 pharmaceutical equipment and electronics)



EIVIND DAM JENSEN (born 1951),
 Deputy Chairman
 CEO
 State-authorized estate agent
 Member of the Danish Association of
 Chartered Estate Agents, Diploma Admin-
 istrator
 Elected 2005, Deputy Chairman 2005
 Current term expires in 2014
**Number of shares held in Topsil
 (own and related parties):** 76,000,000
 (2012: 73,414,829)
Remuneration paid in 2013: DKK 350,000
**Directorships and other managerial
 positions:** CEO and member of the boards
 of directors of Ejendomsaktieselskabet
 Bangs Gård and Aktieselskabet Eivind Dam
 Jensen, and owner of Statsaut. Ejendoms-
 mæglerfirma E. Dam Jensen
Special qualifications: Purchase, sale, valu-
 ation and letting of commercial and invest-
 ment properties and property management



JØRGEN FROST (born 1954)
 CEO
 MSc (Engineering), B.Com. (Marketing)
 Elected 2006, member of the Audit Com-
 mittee in 2010. Current term expires in
 2014
No. of shares held in Topsil: 165,000
 (2012: 165,000)
Remuneration paid in 2013: DKK
 200,000
Audit Committee paid: DKK 50,000
**Directorships and other managerial
 positions:** Member of the board of
 directors of M.J. Grønbech & Sønner
 Holding A/S and its subsidiaries, of
 which chairman of two of the companies
 (Aktieselskabet Ny Kalkbrænderi and its
 subsidiary Pankas A/S)
 Founder, CEO of and member of the board
 of directors of Frost Invest A/S
 Member of the board of directors of
 Fischer Holding A/S and chairman of its
 subsidiary Blendex A/S.
 Member of the board of directors of Vest-
 ergaard Holding A/S and subsidiaries
 Member of the board of directors of the
 Rich. Müller Foundation and RM Rich.
 Müller A/S
Special qualifications: Industrial man-
 agement experience from listed industrial
 companies

COMPANY INFORMATION

TOPSIL SEMICONDUCTOR MATERIALS A/S
 Siliciumvej 1, DK-3600 Frederikssund, Denmark
 Company reg. (CVR) no. 24 93 28 18
 Registered office: Frederikssund, Denmark

Tel.: +45 4736 5600
 Fax: +45 4736 5601
 E-mail: topsil@topsil.com
 Website: www.topsil.com

AUDITORS

Deloitte, Statsautoriseret Revisionspartnerselskab
 Bill Haudal Pedersen, State-Authorised Public Accountant
 Jørgen Holm Andersen, State-Authorised Public Accountant



MICHAEL HEDEGAARD LYNG (born 1969)
 CFO
 MSc (Economics and Auditing), MBA (IMD)
 Elected 2010, chairman of the Audit Committee 2010. Current term expires in 2014
No. of shares held in Topsil: 490,000 (2012: 490,000)
Remuneration paid in 2013: DKK 200,000
Audit Committee paid: DKK 100,000
Directorships and other managerial positions: CFO and member of the executive board of NKT Holding A/S, member of the boards of directors of several companies of the NKT group.
 Member of the board of directors of Burmeister & Wain Scandinavian Contractor A/S
 Member of the board of directors of Investeringsselskabet Luxor A/S
Special qualifications: Traditional CFO disciplines in listed global industrial companies



JENS BALSLEV OLESEN (born 1959),
 elected by the employees
 Float-zone operator, employed in 2007
 Higher Preparatory Examination (HF)
 Elected in 2011. Current term expires in 2015
No of shares held in Topsil: 0 (2012: 0)
Remuneration paid in 2013: DKK 200,000
Directorships and other managerial positions: None
Special qualifications: Experience in float-zone production



JESPER LEED THOMSEN (born 1966),
 elected by the employees
 Controller, employed in 2004
 Diploma in accounting, B.Com. Management Accounting and Process Management
 Elected in 2011. Current term expires in 2015
No. of shares held in Topsil: 0 (2012: 22,000)
Remuneration paid in 2013: DKK 200,000
Directorships and other managerial positions: None
Special qualifications: Experience in traditional controller disciplines in listed global industrial companies

Management Board



KARL KRISTIAN HVIDT NIELSEN
 (born 1964)
 CEO, employed in 2012
 MSc Engineering, B.Com. Marketing
No. of shares held in Topsil: 420,000 (2012: 420,000)
No. of warrants held in Topsil: 15,251,870
Directorships and other managerial positions:
 Chairman of Mita-Teknik A/S.
 Member of the board of directors of Phase One A/S
 Member of the board of directors of SSBV-Rovsing A/S
 Member of the boards of directors of companies in the Topsil Group.



JØRGEN BØDKER (born 1958)
 EVP, Sales & Marketing, employed in 2002
 BSc. Electronics, B.Com. Business Administration
No. of shares held in Topsil: 3,238,738 (2012: 3,238,738)
No. of warrants held in Topsil: 3,385,600
Directorships and other managerial positions: Member of the boards of directors of companies in the Topsil Group.



JESPER BODEHOLT (born 1970)
 CFO, employed in 2013
 MSc. Business Administration and Auditing, B.Com. Accounting and Management Accounting
No. of shares held in Topsil: 0
No. of warrants held in Topsil: 2,000,000
Directorships and other managerial positions: Member of the boards of directors of companies in the Topsil Group.

MANAGEMENT STATEMENT

We have today presented the annual report of Topsil Semiconductor Materials A/S for the financial year 1 January – 31 December 2013.

The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

In our opinion, the consolidated and parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2013 and of the results of the Group's and the parent

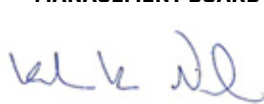
company's operations and cash flows for the financial year ended 31 December 2012.

Furthermore, in our opinion the management report gives a true and fair view of the developments in the activities and financial position of the Group and the parent company, the results for the year and of the Group's and the parent company's financial position in general and describes the significant risk and uncertainty factors that may affect the Group and the parent company.

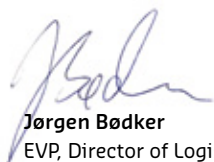
We recommend that the annual report be approved by the shareholders in general meeting.

Frederikssund, den 25. marts 2014

MANAGEMENT BOARD



Kalle Hvidt Nielsen
CEO



Jørgen Bødker
EVP, Director of Logistics
Sales & Marketing



Jesper Bodeholt
CFO

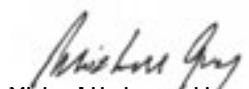
BOARD OF DIRECTORS



Jens Borelli-Kjær
Chairman



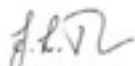
Eivind Dam Jensen
Deputy Chairman



Michael Hedegaard Lyng
Board member



Jørgen Frost
Board member



Jesper Leed Thomsen
(Employee representatives)



Jens Balslev Olesen

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Topsil Semiconductor Materials A/S

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND PARENT FINANCIAL STATEMENTS

We have audited the consolidated financial statements and parent financial statements of Topsil Semiconductor Materials A/S for the financial year 1 January - 31 December 2013, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting policies, for the Group as well as for the Parent. The consolidated financial statements and parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND PARENT FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for such internal control as Management determines is necessary to enable the preparation and fair presentation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's prepara-

tion of consolidated financial statements and parent financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated financial statements and parent financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

OPINION

In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2013, and of the results of their operations and cash flows for the financial year 1 January - 31 December 2013 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

STATEMENT ON THE MANAGEMENT COMMENTARY

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the consolidated financial statements and parent financial statements.

Copenhagen, 25-03-2014

Deloitte

Statsautoriseret Revisionspartnerselskab



Bill Haudal Pedersen
Statsautoriseret revisor



Jørgen Holm Andersen
Statsautoriseret revisor

Income statement

Statement of comprehensive income

Cash flow statement

Balance sheet

Statement of changes in equity

Notes

FINANCIAL STATEMENTS

1 JANUARY – 31 DECEMBER 2013



INCOME STATEMENT

1 JANUARY – 31 DECEMBER

PARENT COMPANY			GROUP		
2012	2013	DKK'000	Note	2013	2012
203,975	246,062	Revenue	3	312,102	289,567
(21,586)	(11,699)	Change in finished goods and work in progress		(14,594)	6,310
6,392	4,045	Work carried out for own account recognised as assets		4,617	6,392
8	345	Other operating income		345	8
(85,024)	(119,903)	Costs of raw materials and consumables		(158,001)	(164,469)
(40,704)	(42,830)	Other external expenses		(51,491)	(49,099)
(58,552)	(55,152)	Staff costs	4, 5, 6	(71,982)	(75,914)
(11,457)	(10,831)	Depreciation, amortisation and impairment	7	(27,391)	(26,708)
(6,948)	10,037	Operating profit/(loss) (EBIT)		(6,395)	(13,913)
(146,000)	0	Write-down of investments in subsidiaries	15	0	0
1,868	263	Financial income	8	585	488
(3,249)	(6,979)	Financial expenses	9	(6,900)	(4,216)
(154,329)	3,321	Profit/(loss) before tax		(12,710)	(17,641)
1,788	398	Tax on profit/(loss) for the year	10	2,920	(7,029)
(152,541)	3,719	Profit/(loss) for the year		(9,790)	(24,670)
		Appropriation of profit/(loss) for the year:			
		Parent company shareholders		(9,382)	(24,596)
		Non-controlling interests		(408)	(74)
				(9,790)	(24,670)
(0.29)	0.01	Earnings per share (DKK)	11	(0.02)	(0.05)
(0.29)	0.01	Diluted earnings per share (DKK)	11	(0.02)	(0.05)

STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY – 31 DECEMBER

PARENT COMPANY		DKK'000	Note	GROUP	
2012	2013			2013	2012
(152,541)	3,719	Profit/(loss) for the year		(9,790)	(24,670)
		Items that may be reclassified to profit or loss:			
0	0	Foreign exchange adjustment re. foreign companies		(3,105)	12,607
(152,541)	3,719	Comprehensive income for the year		(12,895)	(12,063)
		Distribution of comprehensive income for the year:			
(152,541)	3,719	Parent company shareholders		(12,203)	(15,006)
0	0	Non-controlling interests		(692)	2,943
(152,541)	3,719			(12,895)	(12,063)

CASH FLOW STATEMENT

FOR 2013

PARENT COMPANY			GROUP		
2012	2013	DKK'000	Note	2013	2012
(6,948)	10,037	Operating profit/(loss) (EBIT)		(6,395)	(13,913)
11,457	10,831	Depreciation, amortisation and impairment	7	27,391	26,708
968	946	Share-based payment recognised in the income statement		1,043	1,137
(40,799)	(1,184)	Change in net working capital	27	1,737	(10,240)
(3,158)	1,750	Tax paid/received		1,150	(3,791)
1,868	22	Financial income received		189	488
(3,249)	(6,091)	Financial expenses paid		(6,794)	(4,216)
(39,861)	16,311	Cash flows from operating activities		18,321	(3,827)
(8,221)	(7,582)	Acquisition of intangible assets	12	(8,505)	(9,206)
(99,826)	(12,148)	Acquisition of property, plant and equipment	14	(15,594)	(122,500)
0	0	Sale of property, plant and equipment		34	0
0	(538)	Acquisition of investments	15	0	0
(108,047)	(20,268)	Cash flows from investing activities		(24,065)	(131,706)
135,000	7,456	Loans and credits raised		7,594	134,576
0	0	Acquisition of non-controlling interests		0	(12,374)
135,000	7,456	Cash flows from financing activities		7,594	122,202
(12,908)	3,499	Cash flows for the year		1,850	(13,331)
14,726	1,818	Cash and cash equivalents at beginning of year		10,905	23,482
0	0	Market value adjustment of cash and cash equivalents		(406)	754
1,818	5,317	Cash and cash equivalents at end of year	19	12,349	10,905

BALANCE SHEET

AS AT 31 DECEMBER 2013

PARENT COMPANY		ASSETS DKK'000	Note	GROUP	
2012	2013			2013	2012
0	0	Goodwill		17,772	18,068
6,437	6,533	Completed development projects		7,767	8,946
16,788	22,191	Development projects in progress		22,191	16,788
0	0	Rights of use		14,562	15,000
0	0	Other intangible assets		546	670
23,225	28,724	Intangible assets	7, 12, 13	62,838	59,472
14,577	125,937	Land and buildings		173,307	65,850
40,401	102,512	Plant and machinery		173,697	115,386
2,812	2,356	Other fixtures and fittings, tools and equipment		2,537	3,123
173,290	3,676	Property, plant and equipment under construction		13,988	189,159
231,080	234,481	Property, plant and equipment	7, 14	363,529	373,518
94,704	95,349	Investments in subsidiaries	15	0	0
22,116	15,875	Other non-current receivables etc.	16	15,875	22,116
116,820	111,224	Financial assets		15,875	22,116
0	0	Deferred tax asset	10	0	2,923
371,125	374,429	Non-current assets		442,242	458,029
91,595	79,896	Inventories	17	144,416	159,010
31,038	30,193	Trade receivables	18	46,422	49,973
59,575	59,922	Receivables from subsidiaries		0	0
1,869	3,041	Other receivables		7,666	4,840
500	1,250	Income tax receivable		1,483	500
2,262	1,234	Prepayments		2,046	2,966
95,244	95,640	Receivables		57,617	58,279
1,818	5,317	Cash and cash equivalents	19	12,349	10,905
188,657	180,853	Current assets		214,382	228,194
559,782	555,282	Assets		656,624	686,223

BALANCE SHEET

AS AT 31 DECEMBER 2013

PARENT COMPANY		EQUITY AND LIABILITIES		GROUP	
2012	2013	DKK'000	Note	2013	2012
132,029	132,029	Share capital	20	132,029	132,029
0	0	Translation reserve	21	(16,248)	(13,427)
477	1,520	Reserve for share-based payment	21	1,520	477
192,447	196,166	Retained earnings		259,367	268,749
324,953	329,715	Equity attributable to parent company shareholders		376,668	387,828
0	0	Equity attributable to non-controlling interests		17,286	17,978
324,953	329,715	Equity		393,954	405,806
125,000	162,456	Due to credit institutions	22	162,456	125,000
4,951	0	Finance lease liabilities	23	923	4,951
14,319	9,463	Prepayments received from customers		9,463	14,319
0	0	Other non-current liabilities		1,816	2,659
6,031	8,133	Deferred tax liabilities	10	11,815	15,656
150,301	180,052	Non-current liabilities		186,473	162,585
30,000	0	Due to credit institutions	22	10,611	40,473
3,074	4,951	Finance lease liabilities	23	5,149	3,074
25,469	18,654	Trade creditors	24	36,486	49,994
5,484	5,395	Debt to subsidiaries		0	0
4,915	5,678	Prepayments received from customers		5,678	4,915
1,955	266	Provisions	25	266	1,955
13,631	10,571	Other payables	26	15,624	17,421
0	0	Deferred income		2,383	0
84,528	45,515	Current liabilities		76,197	117,832
234,829	225,567	Total liabilities		262,670	280,417
559,782	555,282	Equity and liabilities		656,624	686,223
		Operating lease liabilities	28		
		Charges, guarantees and contingent liabilities	29, 30		
		Notes without reference	31-39		

STATEMENT OF CHANGES IN EQUITY

FOR 2013 (GROUP)

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 01.01.2012	132,029	(23,017)	5,970	279,028	394,010	35,096	429,106
Profit/loss for the year	0	0	0	(24,596)	(24,596)	(74)	(24,670)
Other comprehensive income	0	9,590	0	0	9,590	3,017	12,607
Comprehensive income	0	9,590	0	(24,596)	(15,006)	2,943	(12,063)
Share-based payment, see note 6	0	0	1,137	0	1,137	0	1,137
Share-based payment, lapsed warrants, see note 6	0	0	(6,630)	6,630	0	0	0
Acquisitions of non-controlling interests	0	0	0	7,687	7,687	(20,061)	(12,374)
Equity at 31.12.2012	132,029	(13,427)	477	268,749	387,828	17,978	405,806
Profit/loss for the year	0	0	0	(9,382)	(9,382)	(408)	(9,790)
Other comprehensive income	0	(2,821)	0	0	(2,821)	(284)	(3,105)
Comprehensive income	0	(2,821)	0	(9,382)	(12,203)	(692)	(12,895)
Share-based payment, see note 6	0	0	1,043	0	1,043	0	1,043
Share-based payment, lapsed warrants, see note 6	0	0	0	0	0	0	0
Equity at 31.12.2013	132,029	(16,248)	1,520	259,367	376,668	17,286	393,954

STATEMENT OF CHANGES IN EQUITY

FOR 2013 (PARENT COMPANY)

DKK'000	Share capital	Reserve for share-based payment	Retained earnings	Total equity
Equity at 01.01.2012	132,029	5,970	338,358	476,357
Comprehensive income for the year	0	0	(152,541)	(152,541)
Share-based payment, see note 6	0	1,137	0	1,137
Share-based payment, lapsed warrants, see note 6	0	(6,630)	6,630	0
Equity at 31.12.2012	132,029	477	192,447	324,953
Comprehensive income for the year	0	0	3,719	3,719
Share-based payment, see note 6	0	1,043	0	1,043
Share-based payment, lapsed warrants, see note 6	0	0	0	0
Equity at 31.12.2013	132,029	1,520	196,166	329,715

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1 ACCOUNTING POLICIES

The consolidated and the parent company financial statements of Topsil Semiconductor Materials A/S for 2013 are presented in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies in reporting class D (listed), pursuant to the Danish Statutory Order on Adoption of IFRS issued in accordance with the Danish Financial Statements Act and the Rules and Regulations of NASDAQ OMX Copenhagen.

The consolidated financial statements and the parent company financial statements are presented in Danish kroner (DKK), which is the Group's presentation currency and the functional currency of the parent company.

The consolidated financial statements and parent company financial statements are prepared on the basis of the historical cost convention.

Implementation of new and changed standards and interpretations

The following new and amended standards and interpretations, which apply for financial years beginning on 1 January 2013, have been implemented in the annual report for 2013.

Standards and interpretations affecting the profit/(loss) for the year or the financial position

The implementation of the new and amended standards and interpretations in the annual report for 2013 has not resulted in changes to accounting policies.

Standards and interpretations impacting presentation and disclosure

The implementation of the new and amended standards and interpretations in the annual report for 2013 has not resulted in changes to presentation or disclosure.

Standards and interpretations not yet in force

At the date of publication of this annual report, the following new standard has not yet entered into force and is therefore not included in this annual report:

IFRS 12, Disclosure of Interests in Other Entities (May 2011)

The standard requires enhanced disclosures about non-controlling interests, among other things. Except for an increase in the scope of note disclosures, the standard is not expected to have a material impact on the consolidated financial statements for the coming financial years.

The standard comes into force for financial years starting on or after 1 January 2014. The standard has been adopted for use in the EU.

Management believes that the application of the remaining new standards issued and amended standards and interpretations will not have a material impact on the annual reports for the coming financial years. Otherwise, the accounting policies are consistent with last year's, as described in the following.

Consolidated financial statements

The consolidated financial statements consolidate the financial statements of the parent company, Topsil Semiconductor Materials A/S, and subsidiaries in which the parent company directly or indirectly holds more than 50% of the shares.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the parent company and those of the subsidiaries, which are all prepared in accordance with the Group's accounting policies.

On consolidation, items of the same nature are aggregated and intra-group income and expenses, intra-group balances and shareholdings are eliminated. Unrealised gains and losses on transactions between consolidated companies are also eliminated.

Financial statement items of subsidiaries are fully consolidated. The non-controlling interests' proportionate share of the profit/loss is included in the consolidated profit/loss and comprehensive income for the year and as a separate item under consolidated equity.

Non-controlling interests

On initial recognition, non-controlling interests are either recognised at their fair value or at their pro-rata share of the fair value of the acquired company's identifiable assets, liabilities and contingent liabilities. The choice of method is made individually for each transaction. The non-controlling interests are subsequently adjusted for their proportionate share of changes to the equity of the subsidiary. The comprehensive income is allocated to the non-controlling interests irrespective of the non-controlling interest consequently becoming negative.

Acquisition or sale of non-controlling interests in a subsidiary not resulting in loss of controlling influence is recognised in the consolidated financial statements as an equity transaction, and the difference between the remuneration and the carrying amount is allocated to the parent company's share of equity.

Foreign currency translation

On initial recognition, transactions denominated in currencies other than the individual company's functional currency are translated at the exchange rate ruling at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Exchange differences between the exchange rate at the transaction date and the exchange rate at the date of payment or the balance sheet date, respectively, are recognised in the income statement under financial items.

Property, plant and equipment and intangible assets, inventories and other non-monetary assets acquired in foreign currency and measured based on historical cost are translated at the exchange rates at the transaction date.

On recognition in the consolidated financial statements of entities whose financial statements are presented in a functional currency other than Danish kroner (DKK), the income statements are translated at average exchange rates for the respective months, unless these deviate materially from the actual exchange rates at the transaction dates. In that case, the actual exchange rates are used. Balance sheet items are translated at the exchange rates at the balance sheet date. Goodwill is considered to be attributable to the acquired company in question and is translated at the exchange rate at the balance sheet date.

Exchange differences arising on the translation of foreign subsidiaries' opening balance sheet items to the exchange rates at the balance sheet date and on the translation of the income state-

ments from average exchange rates to exchange rates at the balance sheet date are recognised in other comprehensive income.

Foreign exchange adjustment of receivables from or payables to subsidiaries which are considered part of the parent company's overall investment in the subsidiary in question are also taken directly to equity in the consolidated financial statements, whereas they are recognised in the income statement of the parent company.

Share-based incentive schemes

Share-based incentive schemes in which employees can only opt to buy shares in the parent company (equity-settled schemes) are measured at the equity instruments' fair value at the grant date and recognised in the income statement under staff costs over the vesting period. The balancing item is recognised directly in equity.

The fair value of the equity instruments is determined using Black&Scholes' model with the parameters indicated in note 6.

Employee shares are recognised at an amount calculated as the difference between the market price and the exercise price at the grant date.

Tax

Tax for the year, which consists of current tax and changes in deferred tax for the year, is recognised in the income statement with respect to the portion attributable to the profit/loss for the year and directly in equity with respect to the portion attributable to entries directly on equity.

Current tax payable and receivable is recognised in the balance sheet as the tax calculated on the taxable income for the year, adjusted for tax paid on account.

The calculation of the year's current tax is based on the tax rates and tax rules applicable at the balance sheet date.

Deferred tax is measured using the tax rates and tax rules that, based on legislation in force or in reality in force at the balance sheet date, are expected to apply in the respective countries when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changed tax rates or rules are recognised in the income statement, unless the deferred tax can be attributed to items previously recognised directly in equity. In the latter case, the change is also recognised directly in equity.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to the initial recognition of goodwill or the initial recognition of a transaction, apart from business combinations, and where the temporary difference existing at the date of initial recognition affects neither profit/loss for the year nor taxable income.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, unless the parent company is able to control when the deferred tax is to be realised and it is likely that the deferred tax will not crystallise as current tax within the foreseeable future.

Deferred tax is calculated based on the planned use of the individual asset and the settlement of the individual liability, respectively.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised in the balance sheet at the value at

which the asset is expected to be realised, either through a set-off against deferred tax liabilities or as net tax assets to be offset against future positive taxable income. At each balance sheet date, it is assessed whether it is likely that there will be sufficient future taxable income for the deferred tax asset to be utilised.

INCOME STATEMENT

Revenue

Revenue, comprising the sale of silicon ingots, wafers and rent, is recognised in the income statement once delivery and transfer of risk to the buyer has taken place.

Revenue is measured as the fair value of the consideration received or receivable. If interest-free credit has been granted for payment of the outstanding consideration extending beyond the usual credit period, the fair value of the payment is calculated by discounting future payments. The difference between the fair value and the nominal value of the consideration is recognised as financial income in the income statement over the extended credit period by using the effective interest method.

Revenue is stated exclusive of VAT, duties and discounts etc., levied on behalf of a third party.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise direct costs incurred in generating the revenue. Costs concerning development projects in the production environment that do not qualify for recognition in the balance sheet are also recognised in costs of raw materials and consumables.

Other operating income and operating costs

Other operating income and costs comprise items of a secondary nature relative to the main activity of the Group, including gains and losses on sales of intangible assets and property, plant and equipment, if the selling price of the assets exceeds the original cost.

Other external expenses

Other external expenses include distribution, selling, and advertising costs, administrative expenses, expenses for office premises, bad debts, etc. Other external expenses also comprise costs of development projects that do not qualify for recognition in the balance sheet.

Government grants

Government grants are recognised when there is reasonable certainty that the conditions for the grant have been met and that the grant will be received.

Grants to cover expenses incurred are recognised in the income statement proportionally over the periods in which the associated expenses are recognised. The grants are set off against the expenses incurred. Government grants associated with an asset are recognised in prepayments and recognised as income over the useful life of the asset.

Staff costs

Staff costs comprise wages and salaries and social security costs, pensions, share-based payment, etc. to the employees of the Group. Staff costs also comprise costs for development projects that do not qualify for recognition in the balance sheet.

Financial items

Financial items comprise interest income and expenses, the interest element of finance lease payments, realised and unrealised foreign exchange gains and losses as well as surcharges and allowances under the Tax Prepayment Scheme.

BALANCE SHEET

Intangible assets

Goodwill

On initial recognition, goodwill is measured and recognised as the excess of the cost of the acquired company over the fair value of the acquired assets, liabilities and contingent liabilities, as described under the consolidated financial statements.

On recognition of goodwill, the goodwill amount is allocated to those of the Group’s activities that generate separate cash flows (cash-generating units). Goodwill is not amortised, but is tested for impairment at least once a year, as described below.

Other intangible assets

Development projects concerning products and processes which are clearly defined and identifiable are recognised as intangible assets if it is probable that the product or the process will generate future economic benefits for the Group and the development costs of the individual asset can be measured reliably.

Other development costs are recognised as costs in the income statement when incurred.

On initial recognition, development projects are measured at cost. The cost of development projects comprises costs such as salaries and amortisation that are directly attributable to the development projects and are necessary to complete the project calculated from the date when the development project first qualifies for recognition as an asset.

The Group recognises borrowing costs in the cost of qualifying assets with longer manufacturing periods.

The amortisation base is cost. The cost of a total asset is split into smaller parts that are depreciated separately if such components have different useful lives.

Completed development projects are amortised on a straight-line basis over their expected useful lives. The amortisation period is usually five years, but may in certain cases be as long as 20 years if this longer amortisation period is deemed to be more representative of the Group’s use of the developed product, etc. Amortisation for the year is recognised in the income statement under “Depreciation and amortisation”.

Development projects are written down to their recoverable amount where this is lower than the carrying amount, as described below. Development projects in progress are tested for impairment at least once a year.

Other intellectual property rights in the form of rights of use, patents and customer lists are measured at cost less accumulated amortisation and impairment losses. Other intellectual property rights are amortised on a straight-line basis over the remaining life of the patent. If the actual life of the patent is shorter than either the remaining term or the contract period, amortisation is provided over the shorter life of the patent.

Other intellectual property rights are written down to their recoverable amount where this is lower than the carrying amount, as described below.

Property, plant and equipment

Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment.

Cost comprises the purchase price and any costs directly attributable to the acquisition and any preparation costs incurred until the date when the asset is available for use. In the case of assets produced by the Group itself, cost comprises costs that are directly attributable to the production of the asset including materials, components, sub-suppliers and wages. For assets held under finance leases, the cost is the lower of the fair value of the asset and the present value of the future lease payments.

The Group recognises borrowing costs in the cost of qualifying assets with longer manufacturing periods.

The depreciation base is cost less the residual value. The residual value is the amount expected to be obtainable in a sale of the asset, less costs to sell, if the asset already had the age and were in such condition as the asset is expected to be at the end of its useful life. The residual values used constitute 20-30% of cost. The cost of a total asset is split into smaller parts that are depreciated separately if such components have different useful lives.

Straight-line depreciation is provided based on the estimated useful lives of the assets as follows:

Buildings	20-50 years
Plant and machinery	10-20 years
Other fixtures and fittings, tools and equipment	3-6 years

Land is not depreciated. Depreciation methods, useful lives and residual values are reassessed annually.

Property, plant and equipment are written down to their recoverable amount if this is lower than the carrying amount, see below.

Impairment of property, plant and equipment, intangible assets and investments in subsidiaries

The carrying amounts of property, plant and equipment, intangible assets with determinable useful lives and investments in subsidiaries are tested at the balance sheet date to determine whether there are any indications of impairment. If this is the case, the recoverable amount of the asset is determined to establish if there is a need to recognise an impairment loss and the extent of such impairment loss. The recoverable amount of development projects in progress and goodwill is tested annually regardless of whether any indication of impairment has been established.

If the asset does not generate any cash flows independently of other assets, the recoverable amount is calculated for the smallest cash-generating unit of which the asset forms part.

The recoverable amount is calculated as the higher of the fair value less costs to sell and the value in use of the asset or the cash-generating unit, respectively. In determining the value in use, the estimated future cash flows are discounted to their present value, using a discount rate reflecting current market assessments of the time value of money as well as risks that are specific to the asset or the cash-generating unit and which have not been taken into account in the estimated future cash flows.

If the recoverable amount of the asset or the cash-generating unit is lower than the carrying amount, the carrying amount is written down to the recoverable amount. For cash-generating units, the write-down is allocated in such a way that goodwill amounts are written down first, and any remaining need for write-down is allocated to other assets in the unit, although no individual assets are written down to a value lower than their fair value less expected costs to sell.

Impairment losses are recognised in the income statement. If write-downs are subsequently reversed as a result of changes in the assumptions on which the calculation of recoverable amount is based, the carrying amount of the asset or the cash-generating unit is increased to the adjusted recoverable amount, not exceeding the carrying amount that the asset or cash-generating unit would have had, had the write-down not been made. Impairment of goodwill is not reversed.

Investments in subsidiaries

On initial recognition, investments in subsidiaries are measured at cost plus transaction costs. Where the recoverable amount of the investments is lower than cost, the investments are written down to this lower value.

Inventories

Inventories are measured at the lower of cost according to the FIFO method and net realisable value.

The cost of raw materials and consumables comprises the purchase price plus delivery costs. The cost of manufactured goods and work in progress comprises the cost of raw materials, consumables and direct labour as well as allocated fixed and variable indirect production costs.

Variable indirect production costs comprise indirect materials and wages and are allocated based on preliminary calculations of the goods actually produced. Fixed indirect production costs comprise maintenance costs and depreciation and impairment of the machinery and equipment used in the production process as well as general factory administration and management expenses. Fixed production costs are allocated on the basis of the normal capacity of the production plant.

The net realisable value of inventories is calculated as the expected selling price less completion costs and costs incurred in making the sale.

Receivables

Receivables comprise non-current deposits in connection with the purchase and sale of goods and receivables from sale of goods and services. Receivables are classified as loans and receivables, which are financial assets with fixed or determinable payments that are not quoted in an active market and are not derivative financial instruments.

On initial recognition, receivables are measured at fair value and subsequently at amortised cost, which usually corresponds to the nominal value less write-downs for bad debts. Write-downs are assessed individually.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Pension obligations etc.

The Group has entered into defined contribution plans and similar plans with a substantial part of the Group's employees. In case of defined contribution plans, fixed contributions are paid regularly to independent pension companies and the like. The contributions are recognised in the income statement over the vesting period. Payments due are recognised as a liability in the balance sheet. Other pension liabilities are defined contribution plans and statutory plans in foreign subsidiaries.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a consequence of past events during the financial year or prior years, and when it is likely that settlement

of the obligation will require an outflow of the Group's financial resources. Warranty commitments cover commitments to repair faulty or defective products sold within the warranty period.

Provisions are measured as the best estimate of the costs required to settle the liabilities at the balance sheet date. Provisions with an expected term of more than a year after the balance sheet date are measured at present value.

Lease liabilities

Lease liabilities concerning assets held under finance leases are recognised in the balance sheet as liabilities and measured at the inception of the lease at the lower of the fair value of the leased asset and the present value of future lease payments.

On subsequent recognition, lease liabilities are measured at amortised cost. The difference between the present value and the nominal value of the lease payments is recognised in the income statement over the term of the lease as a financial expense.

Operating lease payments are recognised in the income statement on a straight-line basis over the lease term.

Other financial liabilities

Other financial liabilities comprise bank debt, trade payables and other payables to public authorities. On initial recognition, other financial liabilities are measured at fair value less transaction costs. In subsequent periods, financial liabilities are measured at amortised cost, applying the effective interest method, to the effect that the difference between the proceeds and the nominal value is recognised in the income statement as a financial expense over the term of the loan.

CASH FLOW STATEMENT

The consolidated cash flow statement is presented according to the indirect method and shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the year.

The cash effect of acquisitions and divestments of entities is shown separately under cash flows from investing activities. Cash flows from the acquisition of enterprises are recognised in the cash flow statement from the date of acquisition. Cash flows from the disposal of enterprises are recognised up to the date of disposal.

Cash flows from operating activities are presented according to the indirect method and stated as operating profit, adjusted for non-cash operating items and changes in working capital and financial income and expenses, less the income tax paid during the financial year attributable to operating activities.

Cash flows from investing activities comprise payments related to the purchase and sale of financial assets, including non-current prepayments for goods, subsidiaries as well as the purchase, development, improvement, sale, etc. of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or the composition of the parent company's share capital and related costs as well as the raising and repayment of loans, cash deposits, instalments on interest-bearing debt, acquisition of treasury shares and payment of dividends. Furthermore, cash flows regarding assets held under finance leases in the form of lease payments made are recognised.

Cash and cash deposits.

Segment information

The Group's segments are the "production and sale of silicon ingots and wafers" and "property management".

Financial highlights and financial ratios

The financial highlights and financial ratios have been defined and calculated in accordance with "Recommendations and Financial Ratios 2010" issued by the Danish Association of Financial Analysts.

Financial ratios	Formula
EBITDA margin (%)	$\frac{\text{EBITDA} \times 100}{\text{Revenue}}$
EBIT margin (%) (Profit margin)	$\frac{\text{EBIT} \times 100}{\text{Revenue}}$
Return on invested capital (%) incl. goodwill	$\frac{\text{EBIT} \times 100}{\text{Average invested capital}}$
Contribution ratio (%)	$\frac{\text{Contribution margin} \times 100}{\text{Revenue}}$
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$
Return on equity (%)	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$

Calculations of earnings per share and diluted earnings per share are specified in note 11.

Net working capital (NWC) is defined as the value of inventories, receivables and other operating assets less trade payables and other current operating liabilities. Cash and cash equivalents and deferred tax assets are not included in the net working capital.

Net interest-bearing debt is defined as interest-bearing liabilities less interest-bearing assets, such as cash and cash equivalents.

Invested capital is defined as net working capital plus the carrying amount of property, plant and equipment and non-current intangible assets, less other provisions and non-current operating liabilities.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is defined as EBIT plus depreciation, amortisation and goodwill impairment of the year.

Contribution margin is defined as revenue less or plus changes in inventories of finished goods and work in progress, work performed for own account and recognised under assets and other operating income and expenses for raw materials and consumables.

2. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND UNCERTAINTIES

In applying the Group’s accounting policies, as outlined in note 1, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities which cannot be immediately inferred from other sources.

The estimates and assumptions applied are based on historical experience and other factors that Management considers reasonable under the circumstances, but which are inherently uncertain and unpredictable. Such assumptions may be incomplete or inaccurate, and unexpected events or circumstances may occur. In addition, the Group is subject to risks and uncertainties that may cause actual outcomes to deviate from such estimates. Risks for Topsil are described in “Risk management” on pages 18-19 and in note 32 “Financial risks and financial instruments”.

Estimates and underlying assumptions are reviewed in an ongoing process. Changes to accounting estimates are recognised in the reference period in which the change occurs and in future reference periods if the change affects the period in which it is made as well as subsequent reference periods.

Recovering intangible assets produced within the Group
 For completed development projects with carrying amounts of DKK 7.8 million (Group) as at 31 December 2013, and which are usually amortised over a period of five years, Management believes there is no evidence of impairment in addition to the amortisation made.

For development projects in progress with carrying amounts of DKK 22.2 million (Group) as at 31 December 2013, Management believes there is no evidence of impairment.

In the annual goodwill impairment test of ongoing development projects or in case of any indication of impairment, an assessment is made as to whether the parts of the business (cash-generating units) to which the ongoing development projects relate will in future be able to generate sufficient positive cash flows to support the value of ongoing development projects and other net assets in the relevant part of the business. Management closely monitors the development of the ongoing development projects and will make such adjustments of carrying amounts as may be necessary.

Recoverable amount of intangible assets

Determining any need for impairment write-down of recognised intangible assets requires a calculation of the value in use of the cash-generating units to which the assets have been allocated. Calculating the value in use assumes that an estimate of future expected cash flows has been made and that a reasonable discount rate has been determined. The carrying amount of the Group’s intangible assets was DKK 62.8 million as at 31 December 2013. For a detailed description of discount rates etc., see note 12 “Intangible assets”.

Tax asset utilisation

Deferred tax assets are recognised for all unutilised tax losses and differences to the extent it is considered likely that they can be utilised through taxable income within a foreseeable number of years. Recognition of the size of deferred tax assets is therefore determined on the basis of an assessment by Management of the probable date and the size of any future taxable income. Tax assets have been recognised concerning the subsidiary in Poland constituting DKK 6.1 million at 31 December 2013, and it is assessed that this amount can be utilised within the next five years. All tax loss carry-forwards in the parent company are assessed to be realisable within the next five years.

Functional currency

Although the Group trades extensively with customers and suppliers in foreign currencies, the parent company’s functional currency is still deemed to be Danish kroner based on IAS 21.9-12.

3. SEGMENT INFORMATION

Based on IFRS 8, Operating segments, the Topsil Group is assessed to have two segments: "sale of silicon ingots and wafers" and "property management."

Other segment information:

Specification of sales of products is stated below:

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
203,975	246,062	Sale of silicon ingots and wafers	298,291	274,391
0	0	Rent	13,811	15,176
203,975	246,062	Total	312,102	289,567

Distribution of revenue, assets and liabilities on activities at Group level:

GROUP 2013

DKK'000	Silicon	Property management	Total
Revenue	298,291	13,811	312,102
EBITDA	16,067	4,929	20,996
Depreciation, amortisation and impairment	(22,575)	(4,816)	(27,391)
Operating profit	(6,508)	113	(6,395)
Financial income	134	451	585
Financial expenses	(6,677)	(223)	(6,900)
Profit/(loss) before tax	(13,051)	341	(12,710)
Assets	577,121	90,330	667,446
Addition of property, plant and equipment during the year	13,717	1,877	15,594
Total liabilities	263,121	12,709	275,830

GROUP 2012

DKK'000	Silicon	Property management	Total
Revenue	274,391	15,176	289,567
EBITDA	7,755	5,040	12,795
Depreciation, amortisation and impairment	(21,198)	(5,510)	(26,708)
Operating profit	(13,443)	(470)	(13,913)
Financial income	144	344	488
Financial expenses	(4,168)	(48)	(4,216)
Profit/(loss) before tax	(17,466)	(175)	(17,641)
Assets	590,512	95,711	686,223
Addition of property, plant and equipment during the year	120,645	5,071	125,716
Total liabilities	266,951	13,466	280,417

3. SEGMENT INFORMATION (continued)

The distribution of sale of silicon ingots and wafers at Group level is shown below:

Percentage distribution of revenue for the year	2013	2012
FZ-NTD	60	54
FZ-PFZ	14	12
FZ-HPS	7	6
CZ-EPI	15	19
CZ	4	9
Total:	100	100

Revenue by geographical market:

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
153,200	192,971	Europe	222,868	194,012
11,026	11,333	USA	18,914	19,663
39,749	41,756	Asia	70,320	75,892
203,975	246,062	Total	312,102	289,567

Information on significant customers:

Of the total consolidated revenue, DKK 142,304 thousand (2012: 108,205 thousand) constitutes sales to three customers, of which two (2012: two) account for more than 10% of Group revenue. The Group has long-term contracts with the customers in question for the delivery of silicon wafers.

Non-current assets distributed on physical locations:

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
276,421	284,552	Denmark	284,552	276,421
94,704	95,349	Poland	165,235	181,608
371,125	379,901	Total	449,787	458,029

Transactions between segments were made on an arm's length basis.

The accounting policies used in computing the segment information are the same as those used by the Group; see note 1.

4. STAFF COSTS

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
1,800	1,620	Directors' fees	1,620	1,800
50,659	46,645	Wages and salaries	57,263	61,463
224	462	Bonuses for managerial employees	863	654
0	457	Bonuses for Management Board	457	0
968	947	Share-based payment	1,043	1,137
3,985	3,984	Pension contributions, defined contribution plans	4,198	3,985
916	1,037	Other social security costs	6,538	6,875
58,552	55,152	Total	71,982	75,914
97	90	Average number of employees	344	358

The calculation of the average number of employees (FTE) is based on pension contributions for employees in the parent company, while the calculation of the average for subsidiaries is based on the number of employees at the end of each month.

At the end of 2013, the parent company had 98 full-time employees (2012:100) and the Group had 355 (2012: 362) full-time employees.

Group and parent company

Remuneration of Board of Directors, Management Board and managerial employees

	Board of Directors		Management Board		Managerial employees	
	2013	2012	2013	2012	2013	2012
Directors' fees	1,620	1,800	0	0	0	0
Wages and salaries	0	0	5,557	4,330	11,268	10,867
Bonuses	0	0	457	0	863	654
Pension contributions	0	0	353	203	455	525
Share-based payment	0	0	749	428	294	709
Total	1,620	1,800	7,116	4,961	12,880	12,755

The fee to the Chairman of the Board for the current term amounts to DKK 450 thousand. (2012: DKK 500 thousand), Deputy Chairman DKK 315 thousand (2012: DKK 350 thousand) and other members DKK 180 thousand (2012: DKK 200 thousand). Furthermore, the fee to the Chairman of the Audit Committee amounts to DKK 90 thousand (2012: DKK 100 thousand) and the fee to each of the remaining members of the Audit Committee is half this amount.

The Management Board and other managerial employees are covered by special bonus schemes, see below:

For the 2013 financial year, the Chief Executive Officer is entitled to a bonus at the rate of 1.0% of the pre-tax profit according to the consolidated financial statements for the year and at the rate of 4.0% of the consolidated pre-tax profit growth relative to the pre-tax profit according to the consolidated financial statements for the prior financial year.

For the 2013 financial year, the EVP, Sales and Marketing and the CFO are each entitled to a bonus at the rate of 0.7% of the pre-tax profit according to the consolidated financial statements for the year and at the rate of 2.8% of the consolidated pre-tax profit growth relative to the pre-tax profit according to the consolidated financial statements for the prior financial year. The CFO's bonus is calculated as from 01.03.2013.

Other managerial employees' bonuses are subject to individual targets.

5. PENSION PLANS

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
3,985	3,984	Pension contributions, defined contribution plans	4,198	3,985
3,985	3,984	Total	4,198	3,985

The Group has entered into defined contribution plans only. Under defined contribution plans, the employer pays regular contributions to an independent pension company, pension fund or the like, but bears no risk in relation to the future development of interest rates, inflation, mortality, disability, etc. with respect to the amount that will eventually be payable to the employee.

6. SHARE-BASED PAYMENT

In 2012 and 2013, the Management Board and a number of managerial employees were granted warrants to subscribe for shares in the parent company at a fixed strike price. The warrants are an equity-settled share-based remuneration scheme. The value of the warrants is recognised in the income statement under staff costs on a straight-line basis from the grant date until the vesting date, which means that at the exercise date no further recognition is made in the income statement.

	Number of warrants ('000)	Weighted average strike price (DKK)
Warrants granted at 01.01.2012	19,809	0.79
Granted during the year	10,591	0.56
Forfeited due to termination of employment	0	0
Exercised during the year	0	0
Lapsed during the year	(19,809)	0.79
Warrants granted at 31.12.2012	10,591	0.56
Warrants granted at 01.01.2013	10,591	0.56
Granted during the year	18,127	0.53
Forfeited due to termination of employment	0	0
Exercised during the year	0	0
Lapsed during the year	0	0
Warrants granted at 31.12.2013	28,718	0.54

(weighted average term to maturity is 710 days (2012: 964 days).

	2013	2012
Number of exercisable warrants at year end	0	0
Number of exercisable warrants at the release of the full-year profit announcement ('000)	0	0
Total fair value at 31 December for outstanding warrants (DKK '000)	3,538	1,906
Weighted average fair value per warrant	0.11	0.14
Weighted average strike price per warrant	0.54	0.56

In 2013, the fair value of warrants was recognised at DKK 1,043 thousand, against DKK 1,137 thousand in 2012.

6. SHARE-BASED PAYMENT (continued)

The grant year, strike price and exercise period for the individual grants are as follows:

Year of grant	Strike price	Exercise period	Granted	Adjusted number	Lapsed	Expired	Exercised	Not exercised
2012	0.56	2015-2017	10,590,560	0	0	0	0	10,590,560
2013	0.53	2016-2018	18,126,806	0	0	0	0	18,126,806
Total			28,717,366	0	0	0	0	28,717,366

The fair values calculated at the grant date are based on the Black&Scholes model for valuation of warrants including dilution. Three separate grants have been made, two of them in 2012 and one in 2013.

The assumptions applied in determining the fair value at the grant date of warrants granted during the year are as follows:

	Granted in 2013	Granted in 2012
Weighted average share price at grant	0.42	0.44
Weighted average strike price	0.53	0.56
Volatility, first grant	43.0%	55.9%
Volatility, second grant	-	62.7%
Expected duration	3	3
Expected dividend per share	0	0
Risk-free interest rate	0.1%	0.4%
Warrants granted ('000)	18,127	10,591
Weighted average fair value per warrant	0.09	0.14
Total fair value (DKK '000)	1,632	1,906

The expected volatility is based on the historical volatility (calculated over the past year) adjusted for expected changes as a result of publicly available information. The fair value is based on the exercise of the warrants at the earliest opportunity.

Warrants that have not been exercised are forfeited if the owner terminates his/her employment. Any warrants not exercised by 2017 and 2018, respectively, will lapse. For the grant in 2012, each warrant held by the CEO entitles him to subscribe for one share with a nominal value of DKK 0.25 at a subscription price of DKK 0.40 per share plus an annual hurdle rate of 8%; for the other participants in the programme, the strike price is DKK 0.51 plus the same hurdle rate. For the grant in 2013, each warrant entitles the holder to subscribe for one share with a nominal value of DKK 0.25 at a subscription price of DKK 0.42 per share plus an annual hurdle rate of 8%.

For members of the Management Board, the warrants lapse on termination of the employment relationship, whether by resignation by the employee or termination by the Company. No member of the Management Board may exercise warrants equivalent to a total gain of 300% of his or her annual compensation (before tax) on the date of grant. For other managerial employees, an upper limit of 100% applies.

6. SHARE-BASED PAYMENT (continued)

In 2013, the following changes occurred in management's holding of warrants:

No. of warrants	Holding 01.01.13	Exercised 2013	Expired 2013	Granted 2013	Holding 31.12.13
Management	7,579,870	0	0	13,057,600	20,637,470
Other managerial employees	3,010,690	0	0	5,069,206	8,079,896
Total	10,590,560	0	0	18,126,806	28,717,366

From 26 April 2015 until 26 April 2017, warrants granted in 2012 may be exercised twice a year within a four-week exercise window starting on the date of the announcement of either the financial statements or the interim financial statements. From 23 April 2016 until 23 April 2018, warrants granted in 2013 may be exercised twice a year within a four-week exercise window starting on the date of the announcement of either the financial statements or the interim financial statements.

7. DEPRECIATION, AMORTISATION AND IMPAIRMENT

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
1,901	2,083	Amortisation, intangible assets	4,516	4,292
9,556	8,748	Depreciation, property, plant and equipment	23,070	22,548
0	0	Amortisation, subsidies, property, plant and equipment	(143)	0
0	0	Gain on sale of assets	(51)	(132)
11,457	10,831	Total	27,391	26,708

8. FINANCIAL INCOME

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
1,833	241	Interest from Group undertakings	0	0
35	18	Interest on bank deposits, etc.	156	488
0	4	Miscellaneous interest	49	0
0	0	Foreign exchange adjustments	380	0
1,868	263	Total	585	488

9. FINANCIAL EXPENSES

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
3,418	5,605	Interest on bank loans	6,074	4,096
424	254	Interest relating to finance lease liabilities	384	424
266	64	Miscellaneous interest	64	266
(3,492)	(2,143)	Recognised in the cost of property, plant and equipment	(2,143)	(3,492)
616	3,780	Interest expenses	4,380	1,294
1,391	2,311	Fees, guarantees, etc.	2,520	1,828
1,242	888	Foreign exchange adjustments	0	1,094
3,249	6,979	Total	6,900	4,216

Financing costs recognised in the cost of property, plant and equipment in progress are calculated on the basis of the expenses incurred in the financial year and an interest rate of 3.09-3.39% based on actual financing costs in the parent company.

10. TAX ON THE PROFIT/LOSS FOR THE YEAR AND DEFERRED TAX

GROUP

The current tax for the financial year was calculated at a tax rate of 25% for the years 2013 and 2012.

DKK'000	2013		2012	
Current tax	1,494		(661)	
Change in deferred tax including change in value	785		(6,375)	
Adjustment of current tax relating to prior years	(92)		7	
Adjustment of deferred tax relating to prior years	(733)		0	
Total	2,920		(7,029)	
Tax on the profit/loss for the year can be specified as follows:				
Profit/(loss) before tax	(12,710)		(17,641)	
Tax at a rate of 25%	3,178	25.0%	4,410	25%
Effect of different tax rate in foreign undertakings	(132)	(1.0%)	(559)	(3.2%)
Tax base of non-deductible expenses and non-taxable income	41	0.3%	(2,411)	(13.6%)
Adjustment of current tax relating to prior years	(92)	(0.7%)	7	0%
Adjustment of deferred tax relating to prior years	733	(5.8%)	7	0%
Value adjustment of deferred tax	(406)	(3.2%)	(8,476)	(48.0%)
Effect on deferred tax of change in tax rate	(402)	(3.2%)	0	0%
Effective tax/tax rate for the year	2,920	(23.0%)	(7,029)	(39.8%)

10. TAX ON THE PROFIT FOR THE YEAR AND DEFERRED TAX (continued)

GROUP

Breakdown of deferred tax for the Group stated in the balance sheet:

	2013	2012
Temporary differences in tax assets and liabilities		
Deferred tax, net	(11,815)	(12,733)
- distributed on:		
Tax asset cf. balance sheet	0	2,923
Deferred tax cf. balance sheet	(11,815)	(15,656)

DKK'000	Deferred tax 01.01.13	Recognised in income statement 2013	Foreign exchange adjustment 2013	Deferred tax 31.12.13
Intangible assets	(7,940)	(312)	37	(8,215)
Property, plant and equipment	(15,521)	(1,846)	228	(17,139)
Inventories	(600)	(60)	(32)	(692)
Trade receivables	(3,516)	4,005	105	594
Other payables	1,046	(1,265)	(34)	(253)
Other	0	110	0	110
Temporary differences	(26,531)	632	304	25,595
Tax loss carry-forwards	22,500	559	(308)	22,751
Unutilised tax losses	22,500	559	(308)	22,751
Value adjustment	(8,702)	(406)	137	(8,971)
Total	(12,733)	785	133	(11,815)

The Group does not expect to be able to utilise the portion of tax losses related to the subsidiary in Poland within 3-5 years, and the value of this portion has therefore been adjusted. The Group still expects to be able to utilise the remaining value of the capitalised tax losses in Poland of DKK 6,128 thousand.

DKK'000	Deferred tax 01.01.12	Recognised in income statement 2012	Foreign exchange adjustment 2012	Deferred tax 31.12.12
Intangible assets	(6,382)	(1,378)	(180)	(7,940)
Property, plant and equipment	(14,410)	(141)	(970)	(15,521)
Inventories	(872)	157	115	(600)
Trade receivables	(242)	(3,168)	(106)	(3,516)
Other payables	3,671	(2,792)	167	1,046
Temporary differences	(18,235)	(7,322)	(974)	(26,531)
Tax loss carry-forwards	11,934	9,423	1,143	22,500
Unutilised tax losses	11,934	9,423	1,143	22,500
Value adjustment	0	(8,476)	(226)	(8,702)
Total	(6,301)	(6,375)	(57)	(12,733)

The Group does not believe that the tax loss can be fully utilised within a time limit of three to five years and before expiry, and the asset is therefore not recognised at full value.

10. TAX ON THE PROFIT FOR THE YEAR AND DEFERRED TAX (continued)

PARENT COMPANY

The current tax for the financial year was calculated at a tax rate of 25% for the years 2013 and 2012.

DKK'000	2013		2012	
Current tax	1,250		0	
Change in deferred tax	(2,102)		1,780	
Adjustment of current tax relating to prior years	(92)		8	
Adjustment of deferred tax relating to prior years	1,342		0	
Total	398		1,788	
Tax on the profit/loss for the year can be specified as follows:				
Profit/(loss) before tax	3,321		(154,329)	
Tax at a rate of 25%	(830)	(25%)	38,582	25.0%
Tax base of non-deductible expenses and non-taxable income	380	11.5%	(36,802)	(23.8%)
Adjustment of current tax relating to prior years	(92)	(2.8%)	8	0%
Adjustment of deferred tax relating to prior years	1,342	40.4%	0	0%
Effect on deferred tax of change in tax rate	(402)	(12.1%)	0	0%
Effective tax/tax rate for the year	398	12.0%	1,788	1.2%

DKK'000	Deferred tax 01.01.13	Recognised in income statement 2013	Deferred tax 31.12.13
Intangible assets	(5,806)	(513)	(6,319)
Property, plant and equipment	(3,470)	(4,339)	(7,809)
Inventories	(1,850)	83	(1,767)
Other	0	110	110
Temporary differences	(11,126)	(4,659)	(15,785)
Tax loss carry-forwards	5,095	2,557	7,652
Unutilised tax losses	5,095	2,557	7,652
Other	0	0	0
Total	(6,031)	(2,102)	(8,133)

DKK'000	Deferred tax 01.01.12	Recognised in income statement 2012	Deferred tax 31.12.12
Intangible assets	(4,226)	(1,580)	(5,806)
Property, plant and equipment	(3,071)	(399)	(3,470)
Inventories	(1,705)	(145)	(1,850)
Other provisions	799	(799)	0
Other payables	392	(392)	0
Temporary differences	(7,811)	(3,315)	(11,126)
Tax loss carry-forwards	0	5,095	5,095
Unutilised tax losses	0	5,095	5,095
Value adjustment			
Total	(7,811)	1,780	(6,031)

11. EARNINGS PER SHARE

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
(0.29)	0.01	Earnings per share	(0.02)	(0.05)
(0.29)	0.01	Earnings per share, diluted	(0.02)	(0.05)

The calculation of earnings per share is based on the following: (earnings divided by average number of shares):

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
(152,541)	3,719	Earnings used in the calculation of earnings per share	(9,382)	(24,596)
(152,541)	3,719	Earnings used in the calculation of diluted earnings per share	(9,382)	(24,596)

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
528,114	528,114	Average number of shares issued	528,114	528,114
528,114	528,114	Average number of shares used to calculate earnings per share	528,114	528,114
10,591	28,718	Dilutive effect of outstanding subscription rights (note 6)	28,718	10,591
538,705	556,832	Average number of shares used to calculate diluted earnings per share	556,832	538,705

Average number of shares issued calculated as:

No. of days prior to a capital increase multiplied by the no. of shares in circulation. If more than one capital increases are made, the no. of days between the capital increases is added together, multiplied by the no. of shares in circulation during the relevant period. The sum is divided by 365.

12. INTANGIBLE ASSETS

GROUP

DKK'000	Goodwill	Completed development projects	Development projects in progress	Rights of use	Other intangible assets	Total
Cost at 1 January 2013	18,068	40,120	16,788	15,812	1,202	91,990
Foreign exchange adjustments	(296)	(112)	0	(289)	(35)	(732)
Addition of assets developed in-house	0	0	8,505	0	0	8,505
Transfers	0	3,102	(3,102)	0	0	0
Disposals	0	0	0	0	0	0
Cost at 31 December 2013	17,772	43,110	22,191	15,523	1,167	99,763
Amortisation and impairment at 1 January 2013	0	(31,174)	0	(812)	(532)	(32,518)
Foreign exchange adjustment	0	56	0	42	23	121
Amortisation	0	(4,225)	0	(191)	(112)	(4,528)
Disposals	0	0	0	0	0	0
Amortisation and impairment at 31 December 2013	0	(35,343)	0	(961)	(621)	(36,925)
Carrying amount at 31 December 2013	17,772	7,767	22,191	14,562	546	62,838

DKK'000	Goodwill	Completed development projects	Development projects in progress	Rights of use	Other intangible assets	Total
Cost at 1 January 2012	16,636	38,669	8,568	14,559	1,114	79,546
Foreign exchange adjustments	1,432	465	0	1,253	88	3,238
Addition of assets developed in-house	0	0	9,206	0	0	9,206
Transfers	0	986	(986)	0	0	0
Disposals	0	0	0	0	0	0
Cost at 31 December 2012	18,068	40,120	16,788	15,812	1,202	91,990
Amortisation and impairment at 1 January 2012	0	(26,954)	0	(570)	(389)	(27,913)
Foreign exchange adjustment	0	(230)	0	(52)	(31)	(313)
Amortisation	0	(3,990)	0	(190)	(112)	(4,292)
Disposals	0	0	0	0	0	0
Amortisation and impairment at 31 December 2012	0	(31,174)	0	(812)	(532)	(32,518)
Carrying amount at 31 December 2012	18,068	8,946	16,788	15,000	670	59,472

12. INTANGIBLE ASSETS (continued)

PARENT COMPANY

DKK'000	Completed development projects	Development projects in progress	Other intangible assets	Total
Cost at 1 January 2013	33,446	16,788	56	50,290
Addition of assets developed in-house	0	7,582	0	7,582
Transfers	2,179	(2,179)	0	0
Disposals	0	0	0	0
Cost at 31 December 2013	35,625	22,191	56	57,872
Amortisation and impairment at 1 January 2013	(27,009)	0	(56)	(27,065)
Amortisation	(2,083)	0	0	(2,083)
Disposals	0	0	0	0
Amortisation and impairment at 31 December 2013	(29,092)	0	(56)	(29,148)
Carrying amount at 31 December 2013	6,533	22,191	0	28,724

DKK'000	Completed development projects	Development projects in progress	Other intangible assets	Total
Cost at 1 January 2012	33,446	8,568	56	42,070
Addition of assets developed in-house	0	8,220	0	8,220
Disposals	0	0	0	0
Cost at 31 December 2012	33,446	16,788	56	50,290
Amortisation and impairment at 1 January 2012	(25,108)	0	(56)	(25,164)
Amortisation	(1,901)	0	0	(1,901)
Disposals	0	0	0	0
Amortisation and impairment at 31 December 2012	(27,009)	0	(56)	(27,065)
Carrying amount at 31 December 2012	6,437	16,788	0	23,225

12. INTANGIBLE ASSETS (continued)

Management considers all intangible assets apart from goodwill to have limited economic lives. The Group holds a patent, which has been capitalised under other intangible assets. This patent will expire in 2026. The most significant activities in 2013 relate to in-house development of processes for manufacturing new types of silicon crystals.

Goodwill

Goodwill arose in connection with the acquisition of Topsil Semiconductor Materials S.A. and its subsidiary. The goodwill is based on the economic benefits obtained by Topsil Semiconductor Materials S.A. and the parent company Topsil Semiconductor Materials A/S, respectively, in the form of increased access to wafering and polishing based on the employees and know-how taken over. Furthermore, Topsil obtains the possibility of increased sales of CZ products to current customers, and Topsil Semiconductor Materials S.A.'s customers gain access to FZ products. The recoverable amount has been calculated for Topsil Semiconductor Materials S.A. and Topsil Semiconductor Materials A/S as a single cash-generating unit since it is assessed that separate cash flows cannot be calculated for each of the legal entities.

The greatest uncertainties in that respect are associated with determining discount factors and growth rates as well as expected changes in selling prices and production costs during the budget and terminal periods.

The discount factors determined reflect the market valuations of the time value of money expressed by a risk-free interest rate and the specific risks associated with the individual cash-generating unit. The discount factors are determined on a pre-tax basis. The calculation of the present value is based on a discount factor of 8.6% (2012: 8.9%). The discount factor is based on a risk-free interest rate of 2.0% (2012: 2.9%), corresponding to the yield on a 10-year Danish government bond, including a country margin for the Polish entity, and an expected risk premium partly relating partly to the Company and partly to the risk profile of the industry.

The estimated changes in selling prices and production costs are based on historical experience as well as expectations as to future market changes.

The calculation of the value in use of the cash-generating unit is based on the cash flows included in the most recent management-approved budget for the coming financial year and the strategy plan. The calculation includes a five-year period (2014-2018) and a terminal period. The average annual growth in revenue during the period is 3.9% (2012: 14.0%) and 1.5% (2012: 1.5%) during the terminal period.

At the balance sheet date, the present value of the cash-generating unit exceeded the carrying amount, implying that goodwill was not impaired.

13. DEVELOPMENT COSTS

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
8,220	7,582	Development costs incurred	8,505	9,206
(8,220)	(7,582)	Development costs recognised in intangible assets	(8,505)	(9,206)
0	0	Total	0	0

14. PROPERTY, PLANT AND EQUIPMENT

GROUP

DKK'000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Plant in progress	Total
Cost at 1 January 2013	78,624	184,431	17,525	189,159	469,739
Foreign exchange adjustments	(275)	(1,800)	(21)	(260)	(2,356)
Additions	0	600	657	14,337	15,594
Transfers	113,070	76,178	0	(189,248)	0
Disposals	0	(4,819)	(1,021)	0	(5,840)
Cost at 31 December 2013	191,419	254,590	17,140	13,988	477,137
Depreciation and impairment at 1 January 2013	(12,774)	(69,045)	(14,402)	0	(96,221)
Foreign exchange adjustment	175	493	15	0	683
Depreciation	(5,513)	(17,160)	(1,237)	0	(23,910)
Disposals	0	4,819	1,021	0	5,840
Depreciation and impairment at 31 December 2013	(18,112)	(80,893)	(14,603)	()	(113,608)
Carrying amount at 31 December 2013	173,307	173,697	2,537	13,988	363,529
Of which assets held under finance leases	0	18,097	0	0	18,097

DKK'000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Plant in progress	Total
Cost at 1 January 2012	65,434	154,735	18,284	99,075	337,528
Foreign exchange adjustments	5,155	8,106	54	1,034	14,349
Additions	0	1,083	0	121,803	122,886
Transfers	8,679	22,439	1,635	(32,753)	0
Disposals	(644)	(1,932)	(2,448)	0	(5,024)
Cost at 31 December 2012	78,624	184,431	17,525	189,159	469,739
Depreciation and impairment at 1 January 2012	(8,972)	(51,934)	(13,381)	0	(74,287)
Foreign exchange adjustment	(1,116)	(3,026)	(15)	0	(4,157)
Depreciation	(3,330)	(15,836)	(3,382)	0	(22,548)
Disposals	644	1,751	2,376	0	4,771
Depreciation and impairment at 31 December 2012	(12,774)	(69,045)	(14,402)	0	(96,221)
Carrying amount at 31 December 2012	65,850	115,386	3,123	189,159	373,518
Of which assets held under finance leases	0	17,837	0	0	17,837

14. PROPERTY, PLANT AND EQUIPMENT (continued)

PARENT COMPANY

DKK'000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Plant in progress	Total
Cost at 1 January 2013	14,626	84,271	17,376	173,291	289,564
Additions	0	600	657	10,891	12,148
Transfers	113,015	67,491	0	(180,506)	0
Disposals	0	(4,819)	(1,021)	0	(5,840)
Cost at 31 December 2013	127,641	147,543	17,012	3,676	295,872
Depreciation and impairment at 1 January 2013	(49)	(43,870)	(14,564)	0	(58,483)
Depreciation	(1,655)	(5,980)	(1,113)	0	(8,748)
Disposals	0	4,819	1,021	0	5,840
Depreciation and impairment at 31 December 2013	(1,704)	(45,031)	(14,656)	0	(61,391)
Carrying amount at 31 December 2013	125,937	102,512	2,356	3,676	234,481
Of which assets held under finance leases	0	16,846	0	0	16,846

DKK'000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Plant in progress	Total
Cost at 1 January 2012	5,549	81,389	15,741	87,060	189,739
Additions	0	0	0	99,830	99,830
Transfers	9,082	2,882	1,635	(13,599)	0
Disposals	(5)	0	0	0	(5)
Cost at 31 December 2012	14,626	84,271	17,376	173,291	289,564
Depreciation and impairment at 1 January 2012	(0)	(37,598)	(11,329)	0	(48,927)
Depreciation	(49)	(6,272)	(3,235)	0	(9,556)
Disposals	0	0	0	0	0
Depreciation and impairment at 31 December 2012	(49)	(43,870)	(14,564)	0	(58,483)
Carrying amount at 31 December 2012	14,577	40,401	2,812	173,290	231,080
Of which assets held under finance leases	0	17,837	0	0	17,837

15. INVESTMENTS IN SUBSIDIARIES

PARENT COMPANY

2012	2013	DKK'000
159,987	94,704	Cost at 1 January
80,547	0	Capital increases in subsidiaries
170	107	Addition warrants in subsidiaries
0	538	Addition Topsil Semiconductor Materials KK, Japan
(146,000)	0	Impairment
94,704	95,349	Cost at 31 December

Any need for impairment write-down of the investment in subsidiaries was separately tested.

In that connection, an assessment was made of the most significant uncertainties associated with the determination of discount factors and growth rates as well as expected changes in selling prices and production costs during the budget and terminal periods.

The discount factors determined reflect the market valuations of the time value of money expressed by a risk-free interest rate and the specific risks associated with the individual cash-generating unit. The discount factors are determined on a pre-tax basis. The calculation of the present value is based on a discount factor of 10.6% (2012: 10.4%). The discount factor is based on a risk-free interest rate of 4.7% (2012: 3.9%), corresponding to the yield on a 10-year Polish government bond, and an expected risk premium relating to the risk profile of the Company and the industry.

The estimated changes in selling prices and production costs are based on historical experience as well as expectations as to future market changes.

The calculation of the value in use is based on the cash flows included in the most recent management-approved budget for the coming financial year and the strategy plan, in which the legal entities have been separated out. The calculation includes a five-year period (2014-2018) and a terminal period. The average annual growth in revenue during the period is 8.0% (2012: 5.5%) and 1.5% (2012: 1.5%) during the terminal period.

At the balance sheet date, the present value of the cash-generating unit exceeded the carrying amount, implying that the investment was not impaired.

Additions during the year were made towards the end of 2013 and comprise the acquisition of 100% of the share capital in Topsil Semiconductor Materials KK in Japan. The acquisition solely comprises the share capital of a company without prior or current activities.

15. INVESTMENTS IN SUBSIDIARIES (continued)

	Domicile	Ownership interests 2013 %	Ownership interests 2012 %	No. of voting rights 2013 %	No. of voting rights 2012 %	Activity
Topsil Semiconductor Materials S.A.	Poland	100.00	100.00	100.00	100.00	Production and sale of silicon wafers to the semiconductor industry
Cemat'70 S.A.	Poland	77.6	77.6	77.6	77.6	Letting of commercial properties
W133 Sp. Z.O.O.	Poland	100.00	100.00	100.00	100.00	Holding of rights
W131 Sp. Z.O.O.	Poland	100.00	100.00	100.00	100.00	Holding of rights
Topsil Semiconductor Materials KK	Japan	100.00	-	100.00	-	Sale of silicon wafers to the semiconductor industry

Topsil Semiconductor Materials S.A. holds the ownership interest in Cemat'70 S.A., while Cemat'70 S.A. holds the ownership interests in W133 Sp Z.O.O. and W131 Sp Z.O.O. Topsil Semiconductor Materials A/S holds the ownership interest in Topsil Semiconductor Materials KK in Japan.

16. OTHER NON-CURRENT RECEIVABLES, ETC.

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
18,147	13,625	Prepayment of goods	13,625	18,147
2,250	2,250	Deposit, rent	2,250	2,250
1,719	0	Deposit, finance leases	0	1,719
22,116	15,875	Total	15,875	22,116

Prepayment of goods is adjusted on a current basis as the Group buys the volumes agreed. The above prepayment covers the period 2015-2017.

17. INVENTORIES

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
53,097	47,620	Raw materials and consumables	55,375	64,756
38,498	32,276	Work in progress	38,657	48,417
0	0	Manufactured goods and goods for resale	50,384	45,837
91,595	79,896	Total	144,416	159,010

There were no inventory writedowns in the parent company in either 2013 or 2012. Inventory writedowns in the Group totalled DKK 10,140 thousand in 2013, against DKK 9,150 thousand in 2012.

18. TRADE RECEIVABLES

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
31,558	30,273	Trade receivables	47,904	51,870
31,558	30,273	Total	47,904	51,870
(520)	(80)	Impairment losses included in the above receivables and recognised in Other external expenses	(1,482)	(1,897)
31,038	30,193	Total	46,422	49,973

Overdue receivables:

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
3,918	5,036	Overdue by up to 1 month	10,481	10,391
381	590	Overdue by 1 to 3 months	686	838
275	97	Overdue by more than 3 months	956	1,497
4,574	5,723	Total	12,123	12,726

Overdue receivables distributed by receivables not written down.

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
3,949	5,415	Europe	8,225	9,607
549	152	USA	360	1,431
76	156	Asia	3,538	1,688
4,574	5,723	Total	12,123	12,726

A provision is made to reduce the carrying amount of receivables if the value is found to be impaired based on an individual assessment of each debtor's ability to pay, for example in case of suspension of payment, bankruptcy, etc., should this be deemed necessary. Receivables are written down to net realisable value, corresponding to the sum of expected future net payments received on the receivables.

The carrying amount of receivables equals their fair value.

Provision account for receivables:

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
520	520	Provision account at 01.01	1,897	1,602
0	(520)	Losses during the year	(692)	0
0	0	Reversed provisions	(234)	0
0	80	Provisions for the year to cover losses	511	295
520	80	Provision account at 31.12	1,482	1,897

19. CASH AND CASH EQUIVALENTS, CF. THE CASH FLOW STATEMENT

The Group's cash and cash equivalents primarily consist of deposits with banks. No significant credit risk is deemed to be associated with cash and cash equivalents. Bank deposits carry floating rates of interest. The carrying amount equals the fair value of the assets.

20. SHARE CAPITAL

The share capital consists of 528,114,157 shares at nominal value of DKK 0.25 each. The shares are not divided into share classes and no shares have special rights attached.

Number of shares	2013	2012
Number of shares at 01.01	528,114,157	528,114,157
Number of shares at 31.12	528,114,157	528,114,157
DKK'000		
Denomination, nom. value DKK 0.25	132,029	132,029
Total	132,029	132,029

21. OTHER RESERVES

The translation reserve comprises all foreign exchange adjustments arising on translation of the financial statements of entities with other functional currencies than DKK.

The reserve for share-based payment comprises the accumulated value of vested warrant plans (equity-settled schemes) measured at the fair value of the equity instruments at the grant date and recognised over the vesting period. The reserve is dissolved as the employees exercise their vested warrants or the warrants expire without being exercised.

22. OTHER CREDIT INSTITUTIONS AND BANK DEBT

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
155,000	162,456	Debt to credit institutions	173,067	165,473
155,000	162,456		173,067	165,473
		The debt falls due as follows:		
30,000	0	Within 1 year	10,611	40,473
125,000	162,456	Between 1 and 2 years from the balance sheet date	162,456	125,000
0	0	Between 2 and 3 years from the balance sheet date	0	0
0	0	Between 3 and 4 years from the balance sheet date	0	0
0	0	Between 4 and 5 years from the balance sheet date	0	0
0	0	More than 5 years from the balance sheet date	0	0
155,000	162,456		173,068	165,473
		Other debt to credit institutions and bank debt is recognised in the balance sheet as follows:		
30,000	0	Current liabilities	10,611	40,473
125,000	162,456	Non-current liabilities	162,456	125,000
155,000	162,456	Total	173,067	165,473

2013:

Name	Company	Currency	Expiry	Fixed or floating interest rate	Interest rate % p.a.	Fair value, DKK'000
Overdraft facility	Poland	PLN	2014	Floating	Wibor+2.1%	10,611
Money market facility	Parent company	DKK	2015	Floating	Cibor+3.9%	37,456
Money market facility	Parent company	DKK	2015	Floating	Cibor+3.15%	125,000
31.12.2013						173,067

2012:

Name	Company	Currency	Expiry	Fixed or floating interest rate	Interest rate % p.a.	Fair value, DKK'000
Overdraft facility	Poland	PLN	2013	Floating	Wibor+1.5%	10,473
Money market facility	Parent company	DKK	2013	Floating	Cibor+3.4%	30,000
Money market facility	Parent company	DKK	2014	Floating	Jybor+2.65%	125,000
31.12.2012						165,473

23. FINANCE LEASE LIABILITIES

GROUP

The Group leases production equipment in the form of machinery and plant on finance leases if the terms are favourable and ensure continued financial flexibility for the Group. The average lease term is 4.5 years. All leases have a fixed payment profile and none of the leases comprise conditional lease payment clauses. The leases are terminable during the lease period against financial compensation. The Group has guaranteed the assets' residual values at the end of the lease term and must assign a buyer for the assets.

	Minimum lease payments, DKK'000		Present value of minimum lease payments, DKK'000	
	2013	2012	2013	2012
Finance lease liabilities fall due as follows:				
Within 1 year of the balance sheet date	5,148	3,074	5,148	3,074
Between 1 and 5 years from the balance sheet date	924	4,951	924	4,951
More than 5 years from the balance sheet date	0	0	0	0
At 31 December	6,072	8,025	6,072	8,025
Amortisation premium for future recognition	148	442	148	442

The carrying amount equals the fair value of the liabilities.

The financial lease liabilities comprise machinery.

	Expiry	Fixed or floating interest rate	Present value of minimum lease payments DKK'000	Fair value DKK'000
Lease liability	2014	Floating	4,951	4,951
Lease liability	2018	Floating	1,121	1,121
31.12.2013			6,072	6,072

	Expiry	Fixed or floating interest rate	Present value of minimum lease payments DKK'000	Fair value DKK'000
Lease liability	2013	Floating	3,074	3,074
Lease liability	2014	Floating	4,951	4,951
31.12.2012			8,025	8,025

24. TRADE CREDITORS

PARENT COMPANY

GROUP

2012	2013	DKK'000	2013	2012
25,469	18,654	Amounts owed to suppliers for goods and services delivered	36,486	49,994
25,469	18,654		36,486	49,994

The carrying amount equals the fair value of the liabilities. Amounts owed to suppliers falling due within one year

25. PROVISIONS

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
3,198	1,955	Provisions, 01.01	1,955	3,198
(2,643)	(1,689)	Used during the year	(1,689)	(2,643)
1,400	0	Provisions made during the year	0	1,400
1,955	266	Provisions, 31.12	266	1,955

Provisions are expected to be settled within 1 year.

26. OTHER PAYABLES

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
231	376	Payroll liabilities, tax liabilities, social security contributions, etc.	1,308	692
7,071	6,214	Holiday pay liabilities, etc.	7,731	8,440
1,291	1,388	VAT and other indirect tax liabilities	1,388	1,291
5,038	2,593	Other accrued expenses	5,197	6,998
13,631	10,571	Total	15,624	17,421

The carrying amount of payables in respect of payroll, tax deducted at source, social security contributions, holiday pay, etc., VAT and other indirect taxes, income tax payable and other accrued expenses corresponds to the fair value of these liabilities. Holiday pay liabilities, etc. represent the Group's obligation to pay wages and salaries during holidays in the next financial year, to which the employees have earned entitlement as at the balance sheet date. All items under other payables are expected to be settled within 1 year.

27. CHANGE IN NET WORKING CAPITAL

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
12,987	11,699	Change in inventories	14,594	(12,672)
38,586	701	Change in receivables	1,429	26,410
(24,395)	(10,640)	Change in trade creditors and other payables	(14,286)	(23,978)
(67,977)	(2,944)	Change in receivable from subsidiary	0	0
(40,799)	(1,184)	Total	1,737	(10,240)

28. OPERATING LEASE LIABILITIES

It is the parent company's policy to lease cars and certain operating equipment on operating leases. The average lease period is 44 months. All leases have a fixed payment profile and none of the leases comprise conditional lease clauses apart from price regulation clauses based on public indices. The leases are non-terminable during the agreed lease period.

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
		Non-terminable operating leases are specified as follows:		
413	906	Within 1 year	1,585	1,129
446	1,490	Between 1 and 5 years	1,886	1,319
0	0	More than 5 years	0	0
859	2,396	Total	3,471	2,448

For the parent company, an amount of DKK 1,044 thousand has been recognised in respect of operating leases for 2013 (2012: DKK 876 thousand).

For the Group, an amount of DKK 1,795 thousand has been recognised in respect of operating leases for 2013 (2012: DKK 1,294 thousand).

29. CHARGES

In connection with the conclusion of a new bank agreement a mortgage for DKK 25 million was maintained as security for the loan.

30. GUARANTEES AND CONTINGENT LIABILITIES

The parent company has issued a payment guarantee for PLN 6 million vis-à-vis Raiffeisen Bank, Warsaw as security for the credit facilities in Topsil Semiconductor Materials S.A.

31. OTHER CONTRACTUAL COMMITMENTS

Raw material suppliers

The Group concluded a long-term contract in 2008 to ensure supplies of polysilicon for the period 2010–2017. Management believes that the contract was entered into on an arm's length basis. Under the terms of the contract, the parent company is required to make a prepayment. The prepayment will be used in payment of raw materials as delivery takes place over the period until expiry.

The Group concluded a further long-term contract for polysilicon in 2010. This contract covers the period 2011–2015. In 2013, this contract was extended to 2017. The contract was maintained on attractive commercial terms as it fixes annual minimum and maximum volumes and the possibility of increasing volumes year after year. Also, the contract includes an agreement to collaborate on the development of a polysilicon raw material for FZ products with a diameter larger than that previously supplied.

The contracts made can be terminated in case of a takeover of control of the parent company. If a takeover is completed, the supplier may terminate the contract.

Other

A lease for buildings is terminable at 6 months' notice, and the liability amounts to DKK 0.8 million.

32. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
31,038	30,193	Trade receivables	46,422	49,973
59,575	59,922	Intra-group receivables	0	0
1,869	3,041	Other receivables, current	7,666	4,840
3,969	15,875	Other receivables, non-current	15,875	3,969
1,818	5,317	Cash and cash equivalents	12,349	10,905
98,269	114,348	Loans, advances and receivables	82,312	69,687
30,000	0	Debt to credit institutions, current	10,611	40,473
125,000	162,456	Debt to credit institutions, non-current	162,456	125,000
5,484	5,395	Debt to subsidiaries	0	0
4,915	5,678	Prepayments received, current	5,678	4,915
14,319	9,463	Prepayments received, non-current	9,463	14,319
3,074	4,951	Finance lease liabilities, current	5,149	3,074
4,951	0	Finance lease liabilities, non-current	923	4,951
0	0	Other non-current liabilities	1,816	2,659
25,469	18,654	Trade creditors	36,486	49,994
13,631	10,571	Other payables	15,624	17,421
226,843	217,168	Financial liabilities, measured at amortised costs	248,206	262,806

The Group's risk management policy

Risk management is an integral part of the day-to-day business management and is subject to continuous review by Management. Management believes that all material risks, apart from financial risks, concern supplier and customer relations. Due to the nature of its operations and financing, the Group is exposed to fluctuations in exchange rates and interest rates. The Group manages the financial risks centrally and co-ordinates cash management, including capital procurement and investment of surplus cash. Following the acquisition of Topsil Semiconductor Materials S.A., the internal business procedures are being updated. The Group has a low-risk profile, with currency, interest rate and credit risks arising only in connection with commercial relations. It is the Group's policy not to actively speculate in financial risks.

The Group manages its financial risks by means of a model for managing its cash budgeting covering a period of 1 year.

Currency risk

Currency risk constitutes the risk of losses (or the possibility of gains) when exchange rates change. Currency risk arises when income and expense items in foreign currency are recognised in profit or loss or from value adjustment of balance sheet items denominated in other currencies.

A substantial part of the Group's sales are settled in USD and EUR. Raw materials etc. are also typically purchased in USD and EUR, whereas other cost items are typically settled in DKK or PLN. The Group does not use derivative financial instruments to hedge currency risks from cash flows or balance sheet items. Instead, the Group uses foreign currency to settle same-currency debt items, which generally reduces the currency risk.

32. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (continued)

Unhedged net position at balance sheet date:

GROUP

2012	Cash, deposits and securities DKK'000	Receivables DKK'000	Liabilities DKK'000	Net position, DKK'000	Of which hedged DKK'000	Unhedged net position, DKK'000
Currency						
USD	3,457	1,777	(6,854)	(1,620)	0	(1,620)
EUR	15,878	27,269	(20,235)	22,912	0	22,912
JPY	538	301	(176)	663	0	663
PLN	6,090	22,431	(40,193)	(11,672)	0	(11,672)
DKK	2,261	2,310	(180,337)	(175,766)	0	(175,766)
Other currencies	0	0	(411)	(411)	0	(411)
31.12.2013	28,224	54,088	(248,206)	(165,894)	0	(165,894)

2012	Cash, deposits and securities DKK'000	Receivables DKK'000	Liabilities DKK'000	Net position, DKK'000	Of which hedged DKK'000	Unhedged net position, DKK'000
Currency						
USD	7,740	19,984	(31,617)	(3,893)	0	(3,893)
EUR	22,569	26,554	(26,305)	22,818	0	22,818
GBP	0	167	(142)	25	0	25
NOK	0	0	(545)	(545)	0	(545)
JPY	12	330	17	359	0	359
PLN	3,671	19,622	(47,049)	(23,756)	0	(23,756)
DKK	(970)	(8,880)	(159,113)	(168,963)	0	(168,963)
Other currencies	0	0	(6)	(6)	0	(6)
31.12.2012	33,022	57,777	(264,760)	(173,961)	0	(173,961)

	2013	2012
Equity sensitivity to exchange rate fluctuations (DKK '000)		
Impact if the USD exchange rate were DKK 0.50 lower than the actual rate	200	300
Impact if the PLN exchange rate were DKK 0.20 lower than the actual rate	1,300	2,600
Profit sensitivity to exchange rate fluctuations (DKK '000)		
Impact if the USD exchange rate were DKK 0.50 lower than the actual rate	200	300
Impact if the PLN exchange rate were DKK 0.20 lower than the actual rate	1,300	2,600

32. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (continued)

PARENT COMPANY

2013	Cash, deposits and securities DKK'000	Receivables DKK'000	Liabilities DKK'000	Net position, DKK'000	Of which hedged DKK'000	Unhedged net position, DKK'000
Currency						
USD	3,114	63,762	(13,303)	53,573	0	53,573
EUR	15,817	27,248	(17,722)	25,343	0	25,343
JPY	0	205	0	205	0	205
PLN	0	(369)	(5,395)	(5,764)	0	(5,764)
DKK	2,261	2,310	(180,337)	(175,766)	0	(175,766)
Other currencies	0	0	(411)	(411)	0	(411)
31.12.2013	21,192	93,156	(217,168)	(102,820)	0	(102,820)

2012	Cash, deposits and securities DKK'000	Receivables DKK'000	Liabilities DKK'000	Net position, DKK'000	Of which hedged DKK'000	Unhedged net position, DKK'000
Currency						
USD	2,413	62,941	(30,005)	35,349	0	35,332
EUR	22,481	27,506	(23,584)	26,403	0	26,403
GBP	0	167	(142)	25	0	25
NOK	0	0	(545)	(545)	0	(545)
JPY	10	30	0	40	0	40
PLN	0	(68)	(5,484)	(5,552)	0	(5,552)
DKK	(970)	4,167	(169,029)	(165,832)	0	(165,832)
Other currencies	0	0	(6)	(6)	0	(6)
31.12.2012	23,934	94,743	(228,795)	(110,118)	0	(110,118)

	2013	2012
Equity sensitivity to exchange rate fluctuations (DKK '000)		
Impact if the USD exchange rate were DKK 0.50 lower than the actual rate	(4,900)	(4,300)
Profit sensitivity to exchange rate fluctuations (DKK '000)		
Impact if the USD exchange rate were DKK 0.50 lower than the actual rate	(4,900)	(4,300)

Interest rate risk

The Group's interest rate exposure is primarily attributable to interest-bearing debt.

	GROUP	
Interest rate risk	2013	2012
Profit sensitivity to interest rate change (DKK '000)		
Impact if the effective interest rate were +/- 1%	+/- 1,600	+/- 1,600
Equity sensitivity to interest rate fluctuations (DKK '000)		
Impact if the effective interest rate were +/- 1%	+/- 1,600	+/- 1,600

32. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (continued)

	PARENT COMPANY	
	2013	2012
Interest rate risk		
Profit sensitivity to interest rate change (DKK '000)		
Impact if the effective interest rate were +/- 1%	+/- 1,500	+/- 1,500
Equity sensitivity to interest rate fluctuations (DKK '000)		
Impact if the effective interest rate were +/- 1%	+/- 1,500	+/- 1,500

Credit risk

The Group's credit risks associated with financial activities correspond to the amounts recognised in the balance sheet. The Group assesses the need for insurance on individual debtors on an ongoing basis. The assessment is based on the individual debtor's expected present and future commitment to the Group.

The primary credit risk of the Group is associated with trade receivables. No special credit risks are found to exist in this regard. In 2013, the Group maintained debtor insurance on selected debtors. For the parent company, debtors in the total amount of DKK 16.2 million were insured at 31 December 2013 (2012: DKK 21.3 million). For the Group, debtors in the total amount of DKK 16.2 million were insured at 31 December 2013 (2012: DKK 21.3 million).

The Group's cash and cash equivalents and deposits are placed with its bankers, and the vast majority with its principal banker.

Capital management

The Group evaluates the need to adapt its capital structure on an ongoing basis. Management believes that the financing of the Group's future operations will be secured with the new bank agreement with its principal bankers and cash flows from operating activities.

The priority of the free cash flow generated by the Group is first to repay interest-bearing debt as it falls due and secondly to spend free cash flows on the Group's continued expansion and shareholder dividends.

For the Group, equity as a percentage of total equity and liabilities at the end of 2013 was 59.4% (2012: 59.1%). The realised return on equity for the Group for 2013 was (2.7%) (2012: (6.3%)).

The Company's gearing at the balance sheet date is calculated as follows:

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
155,000	162,456	Credit institutions/bank debt	173,067	165,473
(1,818)	(5,317)	Cash and cash equivalents	(12,349)	(10,905)
(2,250)	(2,250)	Other non-current receivables	(2,250)	(2,250)
150,932	154,889	Net interest-bearing debt	158,468	152,318
324,953	339,871	Equity	392,772	405,806
0.46	0.46	Financial gearing	0.40	0.38

32. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (continued)

Liquidity and capital resources

At Group level, the Company had free cash flows of DKK 12.3 million and unused bank credit facilities of DKK 17.7 million as at 31 December 2013, of which DKK 5.7 million derived from Cemmat'70 S.A.

At year end 2013, Topsil renewed an agreement with its main bankers under which existing facilities were extended until 1 March 2015. The agreement was set up as a committed corporate loan for up to DKK 235 million, consisting of operating facilities of DKK 180 million and a guarantee limit of DKK 55 million.

The established bank loans are subject to covenants relating to the Group's future operating budget and balance sheet budget. Based on the 2014 budget, Management believes that the existing capital resources and the expected future cash flows will be sufficient to maintain operations and to finance the Company's planned initiatives.

The Group's budgets, and consequently also its future capital resources, are inherently subject to risk since the extent and timing of cash flow fluctuations will have an impact on the Company's capital resources. Management believes that any negative deviations in its operations relative to budgeted cash flows can be mitigated on a timely basis by cash flow-enhancing measures.

All bank debt falls due after more than 1 year and within 5 years. See separate note.

33. FEE FOR AUDITORS APPOINTED BY THE GENERAL MEETING

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
430	410	Deloitte, audit of annual report	630	719
127	70	Deloitte, tax advice	152	127
3	0	Deloitte, assurance engagements other than audits	0	3
485	270	Deloitte, non-audit services	420	568
1,045	750	Total	1,202	1,417

34. RELATED PARTIES

The Group has no related parties exercising control.

The Group has the following related parties:

- Ejendomsaktieselskabet Bangs Gård, owned by shareholder and Deputy Chairman
- Frost Invest A/S, owned by a member of the Board of Directors
- CCMA Holding ApS, owned by a member of the Board of Directors

The Group had transactions with the following related parties in 2012 and 2013:

- Ejendomsaktieselskabet Bangs Gård

The parent company has the following related parties:

- Topsil Semiconductor Materials S.A., subsidiary in Poland
- Cemmat'70 S.A., subsidiary in Poland
- Ejendomsaktieselskabet Bangs Gård, owned by shareholder and Deputy Chairman
- Frost Invest A/S, owned by a member of the Board of Directors
- CCMA Holding ApS, owned by a member of the Board of Directors

The parent company had transactions with the following related parties in 2012 and 2013:

- Ejendomsaktieselskabet Bangs Gård
- Topsil Semiconductor Materials S.A., Poland
- Cemmat'70 S.A., Poland

The Deputy Chairman of the Board, Eivind Dam Jensen, is the managing director and member of the board of Ejendomsaktieselskabet Bangs Gård, which owns one of the parent company's premises in Frederikssund.

35. RELATED PARTY TRANSACTIONS

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
2,055	1,587	Rent, Ejendomsaktieselskabet Bangs Gård	1,587	2,055
85,819	76,222	Subsidiaries, sale of goods	0	0
114,293	141,003	Subsidiaries, purchase of goods	0	0
1,833	512	Subsidiaries, interest income	0	0
0	271	Subsidiaries, interest expenses	0	0
204,000	219,595	Total	1,587	2,055

Other management remuneration, etc. is stated separately in connection with note 4, staff costs. All related party transactions have been carried out on an arm's length basis.

PARENT COMPANY			GROUP	
2012	2013	DKK'000	2013	2012
2,250	2,250	Deposit, Ejendomsaktieselskabet Bangs Gård	2,250	2,250
(230)	(156)	Rent, etc., Ejendomsaktieselskabet Bangs Gård	(156)	(230)
18,616	17,805	Subsidiaries, interest expenses	0	0
40,959	77,687	Subsidiaries, debtor receivable	0	0
(5,484)	(35,575)	Subsidiaries, creditor payable	0	0
56,111	62,011	Total outstanding amounts	2,094	2,020

36. SHAREHOLDER INFORMATION

The parent company has registered the following shareholders holding more than 5% of the voting rights or nominal value of the share capital:

Composition of shareholders	Number of shares	Capital DKK	Capital %
EDJ-Gruppen Bangs Gård, Torvet 21, 6700 Esbjerg, Denmark	76,000,000	19,000,000	14.4
Depotet SmallCap Danmark A/S Toldbodgade 53 1253 Copenhagen K, Denmark	40,256,745	10,064,186.25	7.6

37. BOARD OF DIRECTORS AND MANAGEMENT BOARD

The Board of Directors and Management Board of Topsil Semiconductor Materials A/S hold shares in Topsil Semiconductor Materials.

Shares (own and related parties*)	Shareholdings, nominal value, DKK '000	
	2013	2012
Jens Borelli-Kjær, Chairman	206	272
Eivind Dam Jensen (EDJ-Gruppen), Deputy Chairman	19,000	18,453
Jørgen Frost, member of the Board of Directors	41	41
Michael Hedegaard Lyng, member of the Board of Directors	123	123
Jesper Leed Thomsen, member of the Board of Directors	0	5
Kalle Hvidt Nielsen, CEO	105	105
Jørgen Bødker, EVP, Sales & Marketing	810	810
Total	20,285	19,809

* Related parties are Management's close family and companies in which they hold managerial positions or directorships.

38. APPROVAL OF THE ANNUAL REPORT FOR PUBLICATION

The Board of Directors approved this annual report for publication at a board meeting held on 25 March 2014. The annual report will be presented to the shareholders of the parent company for approval at the annual general meeting to be held on 28 April 2014.

GLOSSARY

Word	Explanation
Float-Zone (FZ) technology	Float Zone (FZ) is a state-of-the art technology used in remelting of a silicon raw material from ingot to ultra-pure silicon. The remelting process takes place in special purpose-built furnaces at very high temperatures. Ultra-pure silicon or FZ silicon is the purest form of silicon there is. It can therefore be used in the most technically complex electrical components of the semiconductor industry.
FZ-PFZ	FZ-PFZ silicon is silicon which is gas-doped during the FZ process. Gas-doping enables silicon to control electricity. Gas-doped silicon has good semiconductor properties. The gas-doping renders the material usable in, for example, components for industrial purposes such as electric cars and hybrid vehicles.
FZ-NTD	FZ-NTD silicon is neutron-irradiated FZ silicon. Neutron-irradiation takes place in reactors and is a separate process following the FZ process. Having undergone neutron-irradiation, FZ silicon acquires a very precise doping and consequently the best semiconductor properties. FZ-NTD silicon can be used in the most state-of-the-art electrical components for industrial purposes.
Czochralski (CZ) technology	Czochralski (CZ) is the most commonly used technology for producing silicon in which crushed raw silicon is remelted in large vessels. CZ silicon is used in, for example, components for consumer electronics and for production of solar cells which are relatively simple electrical components.
CZ-EPI	CZ-EPI is CZ-based silicon which is supplied with an extra crystalline layer, thus significantly improving the product's conducting properties. Depending on the application of the product, the thickness of the EPI layer may vary. EPI silicon is especially used for more complex consumer electronics.
Electrical component	<p>An electrical component is a device usually mounted in a "case" designed to have particular electrical properties.</p> <p>Electrical components cover the entire spectrum from state-of-the art components conducting, for example, electricity over long distances without energy loss, to very simple components mounted in, for example, coffee machines.</p>
The semiconductor industry	The semiconductor industry is a designation of the entire industry producing electrical components. The industry primarily consists of global companies and had approximately DKK 50 billion in revenue in 2012.
The power market	The power market constitutes approximately 10% of the entire semiconductor industry. The power market is the part of the semiconductor industry covering the most advanced components. Float zone silicon is primarily used in the power market.
Wafer	The term describing a silicon wafer.
Customer qualification	Customer testing of silicon in own production to determine whether the silicon meets the customer's requirements. A qualification process is highly resource intensive and typically takes a year or longer.

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