

ANNUAL REPORT 2012

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FINANCIAL HIGHLIGHTS AND KEY RATIOS

Five-year financial highlights, DKK '000	2012	2011	2010	2009	2008
Revenue	289,567	367,439	456,705	423,483	289,402
EBITDA	12,795	35,106	102,040	99,813	72,225
EBIT	(13,913)	6,027	89,047	84,233	64,154
Net financials	(3,728)	(9,298)	(7,211)	(8,474)	(2,085)
Profit/(loss) for the year	(24,670)	(6,818)	63,013	51,782	45,865
Of which attributable to parent company shareholders	(24,596)	(5,750)	62,501	50,520	46,044
Cash flows from operating activities	(3,827)	4,666	92,659	37,181	5,795
Cash flows from investing activities	(131,706)	(107,752)	(52,669)	(24,736)	(85,601)
Investments in property, plant and equipment	122,886	102,945	52,641	22,179	8,058
Share capital	132,029	132,029	130,022	101,990	100,848
Equity attributable to parent company shareholders	387,828	394,010	401,784	236,040	179,049
Equity attributable to non-controlling shareholders	17,978	35,096	40,309	64,577	70,197
Total equity of the Group	405,806	429,106	442,093	300,617	249,246
Total assets	686,223	601,495	592,267	591,767	503,875
Invested capital	568,638	440,663	346,965	330,751	292,091
Net-interest bearing debt (net interest asset)	152,318	4,301	(92,637)	30,721	35,922
Net working capital (NWC)	135,648	125,789	118,673	132,161	106,539
Financial ratios					
EBITDA margin (%)	4.4	9.6	22.3	23.6	25.0
EBIT margin/profit margin (%)	(4.9)	1.6	19.5	19.9	22.2
Return on invested capital (%)	2.5	8.8	26.3	27.0	35.9
Contribution ratio (%)	47.6	49.0	52.1	53.1	57.1
Equity ratio	59	71	75	51	49
Return on equity (%)	(6.3)	(1.4)	19.6	24.3	28.0
No. of shares ('000)	528,114	528,114	520,090	407,961	403,392
Earnings per share (DKK)	(0.05)	(0.01)	0.13	0.12	0.11
Market value per share (DKK)	0.38	0.48	1.47	1.25	0.87
Average number of employees (FTE)	358	383	384	377	140

The financial highlights for 2008-2012 have been prepared in accordance with "Recommendations and Financial Ratios". See the description in note 1 to the financial statements, Accounting policies.

ON THE RIGHT TRACK IN A YEAR OF CHALLENGING MARKETS

2012 was a ground-breaking year for Topsil. The Company's new management took over early in the year and succeeded in reaching an important strategic milestone in the development of the next generation of silicon wafers. We also opened our new silicon plant, which is well on the way to being fully operational. We presented the new Company strategy aiming to considerably strengthen our position on the power market over the next three years.

Despite Topsil having successfully met a number of critical targets during the past year, markets remained subdued also in the second half of the year, contrary to the expectations of Topsil and the industry. Consequently, total sales were lower in 2012 compared to 2011, and even though the entire industry is currently affected by the situation, the Company's performance for the year was not satisfactory. For 2013, we expect slightly improved market conditions, and we will continue the positive execution trend of 2012.

THE MARKET

Developments in Topsil's primary market, the power market, did not meet expectations of early in the year, and market developments were negative compared to 2011, particularly in the second half of the year and especially within the high and very high voltage segments. Weaker demand from end-customers entailed fewer orders, and one of our major contract customers had to significantly reduce its order volume during the year, also below the agreed minimum purchase. As a result, Topsil regrettably had to downgrade its expectations for the year in early August.

Topsil closely monitored market developments in 2012. Customers as well as several independent sources agree that the subdued global economy currently entails fewer public investments especially in Europe, Topsil's largest geographical market. In the long term, however, the industry – and Topsil – remain to expect market trends to be favourable because the underlying trends remain the same.

FINANCIAL RESULTS FOR THE YEAR

Topsil generated total revenue of DKK 289.6 million in 2012 against DKK 367.4 million in 2011 and EBITDA of DKK 12.8 million against DKK 35.1 million in 2011. The cost reduction programmes launched in 2011 continued in 2012, taking full effect during the year and resulting in overall cost reductions of DKK 20 million compared to the year before. The Company's revenue and performance was in line with the most recently announced expectations.

Topsil's Management considers the financial results to be unsatisfactory.

NEW STRATEGY, "EXECUTING ON OPPORTUNITIES"

Mid-year, Topsil launched a new strategy for 2013-2015: "Executing on Opportunities". Generally, the strategy is based on plans for growth made between 2010 and 2012, comprising new future-proofing production facilities, new products and new equipment. The intention is for Topsil to considerably strengthen its position on the power market and to complete a number of ongoing activities and projects. At the same time, it must be ensured that Topsil has a solid financial platform.

The strategy includes four key points:

- To increase focus on the type of products that we expect to show the highest growth rates in the coming years, especially the PFZ products.
- To reinforce our market position in Japan and China, both being strategically important markets.
- To enhance wafer production efficiency.
- To secure an improved cash flows.

Financial highlights and key ratios

On the right track in a year of challenging markets

Silicon is used everywhere in modern society

Strategy 2013-2015: Executing on opportunities

IMPROVED EXECUTION IN 2012 CONSTITUTING THE 2013 PLATFORM

Improving its ability to execute projects within the expected time and financial framework is an important prerequisite for Topsil's strategy. This means specifically:

- We intensified the sales efforts on key markets in 2012 and expect that during 2013 we will be able to announce a streamlined sales organisation in Japan, considered to be the world's largest float zone silicon market.
- We submitted the first samples of the new next generation larger-diameter silicon wafers (200 mm) for customer qualification end of year, according to plan. The new products, however, are not expected to significantly impact the Company's performance in 2013, due to the length of the qualification process.
- We installed a number of new machines at the new plant, a pre-condition for producing the first test material for customer qualification at the turn of the year. We expect production of silicon to take place at two facilities in Frederikssund throughout 2013 and for production at the old facilities to cease in 2014.
- We strengthened our overall management team by assigned a new CEO and new production management.
- Our quality management system was significantly upgraded during the year, and we obtained TS16949 in Denmark certification, facilitating access to the strategically important automotive market.
- We acquired an additional 25% of the shares in the property company Cemat'70 S.A. in order to obtain a controlling interest in the property company concerning all matters, and the total ownership interest now constitutes 78%. The aim of the acquisition is to freely be able to sell the entire shareholding.
- We renewed an agreement with Topsil's bankers at the end of the year, involving an extension of existing facilities and a DKK 55 million temporary credit facility commitment. See note 35 to the financial statements for more details.

In other words, in 2012, we created the platform that we will build on in 2013. Our strategy has identified a number of possibilities to continue to improve our business, and progress in 2012 indicates that we are on the right track. That makes us confident that we will also meet the targets we have defined this year. 2013 will be yet another year of hard work where focus will be on further

developing sales and on increasingly monitoring costs. We also expect 2013 to be a year where market prospects will slightly improve, however it will continue to be at a low level.

EXPECTATIONS FOR 2013

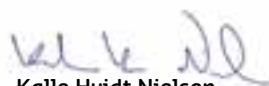
Following a relative drop in market value from 2011 to 2012, the silicon industry expects the market to recover slightly in 2013 (Gartner, WSTS, SEMI) due to an increasing number of infrastructure projects which are expected to materialise primarily in the second half of 2013. Topsil's customers confirm this picture.

Based on the above, Topsil expects to generate revenue for 2013 at least in line with revenue for 2012.

We expect the more efficient wafer production to help improve the Company's earnings for 2013, but it will be partly offset by the costs relating to temporary parallel production lines in two locations in Frederikssund, Denmark, customer qualification of the new plant and the relocation to the new facilities. Overall, the Company expects an EBITDA for 2013 at least in line with EBITDA for 2012.

These expectations are based on exchange rates of DKK 600/USD 100 and DKK 180/PLN 100.

I would like to take this opportunity to thank all of our customers, employees and investors for their cooperation during the past year.



Kalle Huidt Nielsen
CEO, Topsil



Financial highlights and key ratios

On the right track in a year of challenging markets

Silicon is used everywhere in modern society

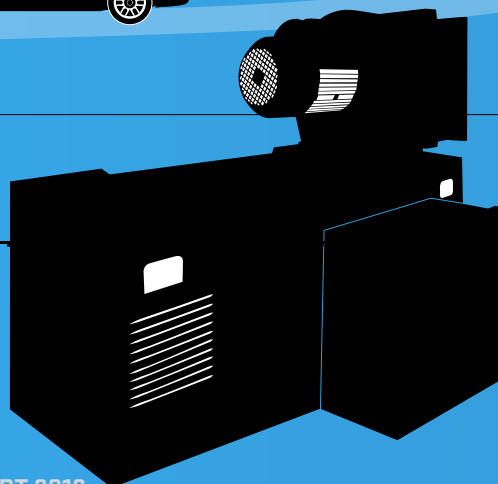
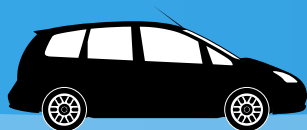
Strategy 2013-2015: Executing on opportunities

SILICON IS USED EVERYWHERE IN MODERN SOCIETY

ELECTRIC CARS AND HYBRID VEHICLES

In future, more electric cars and hybrid vehicles on the road is anticipated. 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 may be used for energy-efficient electricity supply and regulation. Silicon is used, for example, under the bonnet and in the charger for the car.



WIND TURBINES

A wind turbine must be able to catch the wind and to 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, in which silicon plays a role.

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



PRODUCTION MACHINERY

The industry needs electricity to manufacture goods. Production machinery requires turning on and off, and speed needs to be adjusted up and down.

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.

Financial highlights and key ratios

On the right track in a year of challenging markets

Silicon is used everywhere in modern society

Strategy 2013-2015: Executing on opportunities

TOPSIL IN BRIEF...

- Topsil's is a dedicated manufacturer of ultrapure silicon. The silicon is so pure that only a handful of companies in the world have sufficient knowledge and capabilities to produce it.
- Topsil provides silicon in the form of wafers. Ultrapure silicon is inserted in advanced electrical components and end up in various end-user applications.
- Topsil was founded 1959 by the Dane Dr. Haldor Topsøe. It is publicly listed on the Nasdaq OMX Nordic stock exchange. It is headquartered in Copenhagen Cleantech Park, Frederikssund, Denmark. It has a subsidiary in Warsaw, Poland.
- Topsil's customers are primarily large multinational corporations in the semiconductor industry and for a minor part, research institutes and universities worldwide.
- The mega drivers for Topsil's main market, the power market, are population growth and a global rise in per capita income. More – and more affluent people and societies – will lead to an increased demand for energy and a functional energy infrastructure, transport investments, green energy and energy effectiveness. In order to exploit this market potential, Topsil has invested substantially in new facilities, technology and equipment 2010-2012.
- Topsil's revenue in 2012 was DKK 289.6m. In 2012 the average number of employees was 358.

Learn more: www.topsil.com

ELECTRIC TRAINS

When electric trains race away at high speed, they pick up energy from overhead wires and rails. An energy-efficient electricity supply is required, and this is where silicon comes in.

Silicon helps regulate train speed and pick up energy. It is, amongst others, used in complex power flow systems installed above and underneath trains.

POWER GRIDS

Silicon contributes to energy-efficient transport of electricity. In the intelligent electricity distribution network of the future or "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 to ensure a smooth transport of current, often over long distances.

THE 2013-2015 STRATEGY: EXECUTING ON OPPORTUNITIES

Topsil's strategy for 2013-2015 builds on the 2010-2012 offensive growth strategy where focus was on significant investment in capacity extension and production equipment and development of the next generation of silicon wafers. The 2013-2015 "Executing on Opportunities" strategy aims to achieve maximum utilisation of already completed investments, strengthen Topsil's market position in Japan and China and to increase sales of PFZ silicon. At the same time, Topsil aims to enhance efficiency of the wafer production and to increase cash flows.

BACKGROUND FOR THE STRATEGY

The "Executing on Opportunities" 2013-2015 strategy is the natural extension of the 2010-2012 offensive growth strategy building on expectations for highly favourable market conditions in the short and long term and comprising major capital investments in a new and bigger plant, thus upgrading the production facilities and equipment, and the development of a number of new products. In the short term, Topsil's growth expectations were, however, not met since its primary market, the power market, has proved particularly challenging since mid-2011 especially in respect of the NTD market, in which Topsil has a large share.

Despite current market conditions, the industry maintains its expectations for demographic growth and growing prosperity, implying increasing demand for energy, that will again turn Topsil's primary market, the power market, into a growth market. "Executing on Opportunities" is therefore based on a low visibility

market and builds on investments already made. Applying a niche focus, the strategy aims to balance its proactive marketing activities with a strengthening of the Company's future competitiveness through targeted efficiency enhancements.

THE MAIN CHARACTERISTICS OF "EXECUTING ON OPPORTUNITIES"

"Executing on Opportunities" builds on four main elements which together should contribute to strengthening Topsil. The key points are:

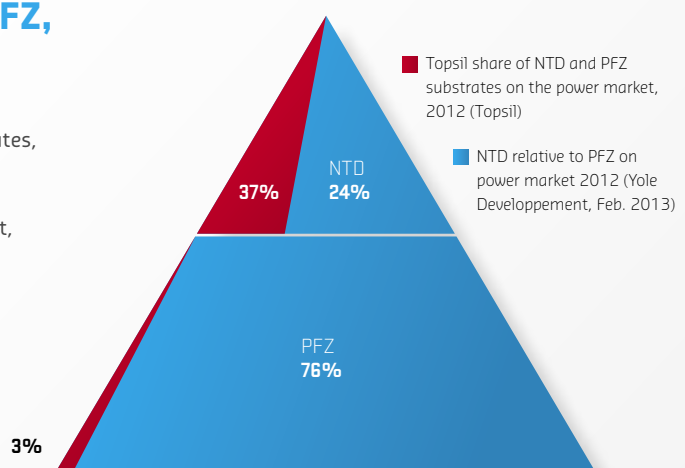
- With the launch of the new technically improved products to high and medium-voltage segments (PFZ silicon products) and the new 200 mm silicon wafers, Topsil intends to strengthen its position in the power market for high and medium-voltage segments.

MARKET STRUCTURE, NTD AND PFZ, THE POWER MARKET

The figure shows the relative proportions of the two substrates, NTD and PFZ respectively, in the power market.

Topsil has a relatively large market share of the NTD market, while its share of the PFZ market is insignificant.

The market for NTD products has proved to be particularly challenging since mid-2011. Topsil aims to strengthen its position in the PFZ market in the next few years.



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STATUS OF THE STRATEGY – THE MOST IMPORTANT MILESTONES OF 2012

- Topsisil made considerable progress in the development of the next generation of silicon wafers during the year. The first new 200 mm silicon wafers were submitted for customer qualification at the turn of the year.
- Topsisil's new plant was completed in the first half of 2012 when production machinery was gradually installed and the first employee groups were relocated. Production continued at the previous location, as customers will have to qualify the new plant, prior to ceasing production at the old facility.
- The ribbon was cut on 1 October 2012 to mark the opening of the new plant in a ceremony attended by a number of Topsisil's major customers and suppliers.
- The first qualification material from the new plant was manufactured for customer qualification at the end of the year.
- Topsisil strengthened its overall management team in 2012 by assigning a new CEO and a new Production Manager.
- In the second half of the year, the Company's subsidiary "Cemat" in Poland changed its name to Topsisil S.A., which will further strengthen Topsisil's general position as the preferred supplier to the power market.
- In December, Topsisil in Denmark obtained TS16949 Quality Standard certification, which is expected to facilitate easier access to the automotive industry.
- At the end of December, Topsisil was certified according to the ISO14001 Environment Standard. The Company's certification is the result of Topsisil's systematic efforts to improve key environmental indicators.

- Topsisil will particularly focus on strengthening its position in the Japanese market, which in 2012 was estimated at 1/3 of the entire global market of ultra-pure silicon. Today, Topsisil only has a limited share of this market. Furthermore, Topsisil aims to strengthen its position in the strategically important Chinese market by providing support locally to Chinese customers currently being served out of the Company's headquarters in Frederikssund, Denmark.
- Topsisil will work to exploit the potential inherent in already made investments and reduce its working capital. 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.
- Topsisil will enhance the efficiency of the wafer production. With its extensive 2010-2012 investments programme, Topsisil has optimum technical conditions for future-proofing its production, although it is still important that the Company makes considerable production efficiency enhancements to improve its competitive strength. Topsisil will therefore improve its raw materials utilisation rate and enhance efficiency in all parts of the production chain and across all locations.

STRATEGY PERIOD TARGETS

The objective of the strategy is for Topsisil to increase its market share in the power market through extensive growth in the high and medium-voltage segments (PFZ products) and to extend its market position in Japan and China in the period from 2013 to 2015.

Through the implementation of comprehensive improvements and efficiency enhancements of its production, Topsisil will seek to reduce the average variable cost per wafer by a minimum of 15% during the strategy period.

With an investment level which is expected to be lower than its depreciation charges and with focus on reducing its working capital, Topsisil expects a cash conversion in excess of 100% as a whole in the strategy period, the definition of cash conversion being (cash flow from operations and 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.

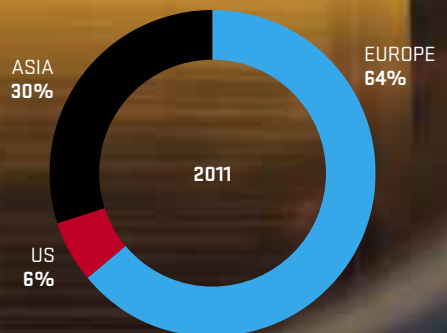
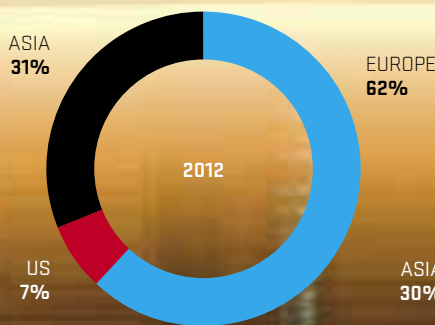
Going forward, the Company's dividend policy is to have a payout ratio of about one third of the profit for the year after tax, with due consideration, however, for the capital structure and the investment requirements and opportunities.

TOPSIL IN THE WORLD

Topsil has sales activities in three continents: Europe, Asia and the USA. For a number of years, Europe has accounted for the vast majority of revenue.

31%

of the revenue in 2012 was related to sales in Asia. Topsil will strengthen its position in Asia, especially Japan and China, in the years to come.



DKK 5,2 BILLION

was the aggregated market size of Topsil's primary market, the power market, 2012. (Yole Developpement, Feb. 2013)

MARKET AND CUSTOMERS

Topsil's production of ultra-pure silicon is sold to the semiconductor industry, which has relatively high barriers to entry. By far most of the products are included in the power components as critical basic material, and the individual series of components are produced in close collaboration with our customers based on defined requirement specifications and extremely tight tolerance requirements. Ultra-pure silicon is particularly suitable for complex and high-performance components for the power market, and Topsil's silicon contributes to transport, for example, electricity over long distances with a minimum loss of power or to provide for current control in high-speed trains.

A NICHE FOCUS IN THE SILICON MARKET

The power electronics industry – or the power market – is part of the silicon market and covers electrical components used to transfer and control energy. Valued at approximately DKK 5.2 billion (Yole Developpement, February 2013), the power market constituted approximately 10% of the overall silicon market worth about DKK 50 billion in 2012 (SEMI, Yole Developpement).

Power electronics is used where there is a need to convert voltage, amperage or frequency. The market covers the entire spectrum from very low voltage segments, in, for example, consumer electronics, to the highest voltage segments in extensive industrial plants such as high voltage grids where electricity must be transported efficiently over long distances.

Topsil's ultra-pure silicon is especially suitable for the power components that handle high and very high voltage levels. Most of the products are therefore intended to be used in the market's most complex, high-performance components particularly in the energy, transport and industrial sectors.

In recent years, Topsil's most important market has been Europe, especially for ultra-pure silicon products with very uniform electrical properties, and for the highest voltage segments such as the NTD products. Over the next few years, Topsil will seek to strengthen its position in Asia, particularly in Japan and China, and increase its share of products for the medium-voltage segments focusing on the PFZ products in particular.

MEGATRENDS AND MARKET DEVELOPMENTS IN 2012

To a high degree, the sales potential in the power market reflects the extent of the politically motivated investment programmes in, among other things, transport and energy infrastructure and more climate-friendly solutions within, for example, energy production around the world. A number of independent industry sources (IEA, Gartner, WSTS and IHS) believe that the global demand for energy and energy-efficient solutions will increase for many years to come, driven by population growth, income gains, in the BRIC countries among others, and increasing demand for available energy resulting in price increases. IEA expects the highest growth rates to be recorded in China and India over time.

Semiconductor Equipment and Materials Equipment (SEMI), the semiconductor industry association, retrospectively reports on sales of silicon in the entire silicon market. SEMI reported increasing price pressures for the whole of 2012, as the value of the overall silicon market dropped by 12% from DKK 56 billion to DKK 50 billion, while at the same time the size of the market, measured by surface area of the silicon wafers, remained unchanged.

Developments in Topsil's primary market, the power market, largely emulated the trend in the overall silicon market over the past year. Yole Developpement, a company specifically monitoring developments in the power market, estimates that the value of the power market fell by approximately 11% in 2012 compared to the year before, from DKK 5.8 billion in 2011 to DKK 5.2 billion in 2012.

The largest decline was seen in the high and highest voltage segments and particularly in the transport (trains), energy transport and in the industry, where a total decline of 32.5% compared to 2011 was reported, out of which NTD, accounting for a decline of 36%, represents the larger part. This decline was partly attributable to reduced public expenditure, especially in China, and partly to the inventory adjustments due to stockpiling in the industry in 2011 in expectation for an increased order intake in 2012.

SALES DISTRIBUTED BY GEOGRAPHY AND PRODUCT TYPES

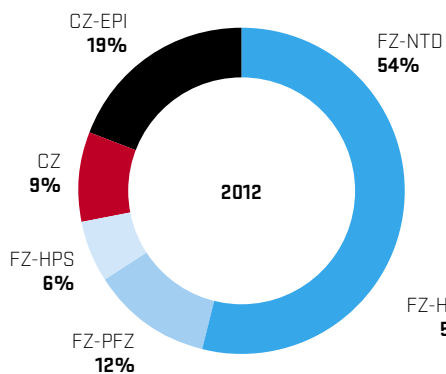
Topsil's overall revenue for 2012 was 21% lower compared to 2011 as a result of the declining market. All geographic markets were affected. However, the markets in Europe suffered the most, with a revenue decline of about 23% against 18% in Asia and 9% in the USA.

Measured by product groups, this decline is primarily owing to a sales decline of about 38% within Neutron Transmutation Doped silicon (NTD), which especially forms part of power components for energy infrastructures and for transport. In 2012, 54% of Topsil's revenue related to NTD against 68% in 2011.

Likewise, the Company's share of sold Gas-doped Preferred Float Zone silicon (PFZ) increased from 9% in 2011 to 12% in 2012, corresponding to a sales increase of 4% when measured by rev-

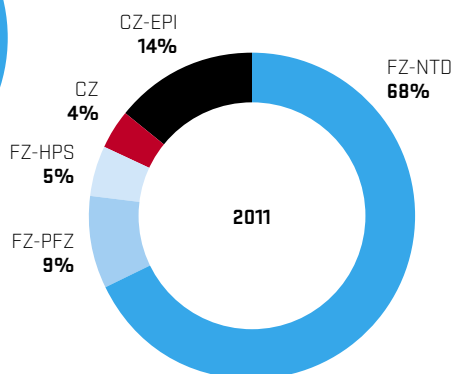
Topsil in the world **Market and customers**

Products, development and production facilities Supply chain, drift og personale



REVENUE, DISTRIBUTED BY PRODUCT TYPE

The diagrams show the Company's revenue distributed by product type from 2011 to 2012.



Topsil's key products are NTD, PFZ, CZ-EPI and CZ, which are all sold in the power market.

HPS is a float zone-based specialty product used in detectors and which is not sold in the power market.

enue (DKK). PFZ is used, for example, in components for industry, for transport and within the automotive sector. The product category CZ/EPI, partly overlapping the PFZ application area, but also covering power supplies for computers and other power-driven electronic equipment, increased from 14% to 19% of Group revenue, corresponding to an actual sales improvement of 7%. CZ silicon which increased from 4% to 9% in 2012, corresponding to an increase of 75%, accounted for the largest sales improvement which was the result of a customer agreement aiming at better capacity utilisation of the CZ production facilities.

STRENGTHENING CUSTOMER REALTIONS IN A DIFFICULT YEAR

The semiconductor industry is an industry characterised by relatively few, but large global players, and, to a wide extent, suppliers and customers in this industry know each other. Topsil's customer base is characterised by relatively few, but large

customers, and the vast majority of Topsil's silicon products is sold through long-term contracts. These long-term contracts cover Topsil's six largest customers and involve certain minimum purchase requirements for each year. Through the contracts Topsil is able to maintain closer ties with the customers, and they are guaranteed silicon for their components for a number of years. In 2012, one of Topsil's major customers was unable to comply with the contractual requirements for the year. For business reasons, Topsil chose not to pursue this issue, but instead aims to expand the future basis for the collaboration. In addition to its major industry customers, Topsil also provides silicon to universities and other knowledge institutions, but on a smaller scale.

Despite weakened demand in the power market in 2012, Topsil believes that a number of its important customer relations have been strengthened during the past year. The long-term contracts have been retained in an otherwise difficult market, and the Company's efforts to improve its technology platform and reliability of supply and to enhance quality have yielded continuously positive evaluation results year on year from a number of Topsil's key customers. At the end of the year, the number of ongoing customer qualifications were significantly higher than at the beginning of the year.

ACTIVITIES OUTSIDE OF THE MAIN BUSINESS: PROPERTY MANAGEMENT

Through its subsidiary in Poland, Topsil acquired an additional 25% of the shares in the property company Cemat'70 S.A. in early 2012, and the total ownership interest now constitutes 78%. The aim of the acquisition is to freely be able to sell the entire shareholding.

Up until the date of the acquisition, Topsil's ownership interest was too small for Topsil to have a controlling interest in the property company concerning all matters and thereby be able to make the necessary decisions and transactions. Following the acquisition, Topsil now has the full right of disposal and consequently a much better platform for divesting the asset.

Markets	Substrates 2012	
	FZ	CZ/EPI
EU	49%	11%
USA	4%	3%
Japan	0%	12%
China	13%	0%
Other	1%	0%

Topsil's core business, production and sale of FZ and CZ silicon wafers, accounted for 93% of Group revenue in 2012. The remaining 7% of revenue was primarily attributable to the sale of remelt (residual product from silicon production) and to property management services.

PRODUCTS, DEVELOPMENT AND PRODUCTION FACILITIES

Topsil uses two advanced technologies in its production of silicon: the float zone technology and the Czochralski technology. The Company further intensified its development activities in the period from 2010 to 2012, launching more technically enhanced products, and the next generation of larger-diameter silicon wafers is now underway. The development progressed significantly in 2012, resulting in the submission of the first silicon wafers for customer qualification at the end of the year.

TECHNOLOGY PLATFORM AND PRODUCTS

Topsil's product portfolio offers a wide range of silicon products for the power market based on two technologies, one of these technologies, the float zone technology, constituting the primary foundation of Topsil's business. The technology is used in the production of ultra-pure silicon, which is characterised by its exceptional purity and very high degree of electrical uniformity,

thus making it well-suited for complex electrical components. The other technology, the Czochralski method (CZ), is much more widely used in the semiconductor industry and particularly in consumer electronics. In 2012, the float zone-based products constituted 72% of total sales of silicon, whereas sales of Czochralski-based products accounted for the remaining 28%.



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, well-suited for the most advanced power components and for the highest voltage segments. The FZ-PFZ products are Gas-doped Float silicon with a lower degree of electrical uniformity, making this product type well-suited for advanced power components to handle lower voltage segments.

The CZ and CZ-EPI product types are based on the Czochralski technology. The CZ products are, among other things, well-suited for consumer electronics requiring neither a high degree of uniformity nor voltage. CZ-EPI silicon is a refined version of ordinary CZ silicon, and the finished product is supplied with an extra crystalline layer, thus improving the product's conducting properties.

RESEARCH AND DEVELOPMENT (R&D)

Since the first tentative attempts to apply the float zone technology in the 1950's by Topsil's founder, Dr. Haldor Topsøe, Topsil's business has been built on the continued launch of new generations of technically advanced products. The development of new products and plants is often undertaken in close collaboration with universities and other knowledge institutions worldwide. In recent years, this development work has been strengthened. Topsil enters into long term partnerships with more universities and has taken out patents for key technology and machinery design. In 2012, about 3% of total revenue was spent on the Company's development activities compared to 1% the year before.

FROM PRODUCT DEVELOPMENT TO CUSTOMER SPECIFICATION

The development and subsequent qualification of new silicon products is a time-consuming process. It often takes several years 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. If the testing material meets customer expectations, an actual customer qualification and extensive trial process will follow, and not until then will the prospect of orders begin to loom. During the entire process – from initial specifications to initial customer orders – a new product will, as a minimum, undergo six development phases before a customer specification can be completed, thus resulting in sales.

DEVELOPMENT ACTIVITIES YIELDING NEW PRODUCTS

Increased investments in the further development of the Company's existing product portfolio have produced results in recent years. There is a trend in the semiconductor industry towards providing increasingly technically-advanced products and larger-diameter silicon wafers. To meet the requirements of tomorrow for improved silicon products, the 2010 to 2012 development efforts partly aimed at producing the next generation of silicon wafers in the form of larger-diameter (200 mm) FZ wafers and partly at enhancing FZ-PFZ and CZ-EPI silicon.

The development activities for that time period have provided Topsil with technically improved FZ-PFZ and CZ-EPI process technology and has helped Topsil successfully develop 200 mm FZ silicon wafers. The new FZ-PFZ and CZ-EPI products have been launched in the market, and the next generation of larger-diameter silicon wafers has now reached such an advanced stage in the development process that the first wafers were submitted for customer qualification at the end of the year.

STATE-OF-THE-ART EQUIPMENT AND PRODUCTION FACILITIES TO IMPROVE TOPSIL'S MARKET POSITION

In the autumn of 2012, Topsil officially opened its new FZ silicon plant in Copenhagen Cleantech Park. The opening date was preceded by eighteen months of construction and installation of several new production machines. The silicon plant and a wide range of process equipment account for the majority of the overall investment of approximately DKK 300 million Topsil made during the period from 2010 to 2012.

The purpose of these investments were to strengthen Topsil's market position. The new plant offers an increased production capacity and supports the production of the next generation of silicon wafers, using state-of-the-art production equipment. Overall, the investment programme will contribute to increasing the product quality, enhancing efficiency and reducing the throughput time.

Work on testing the newly installed equipment and moving machinery and other equipment from the previous production facility at Frederikssund continued after the new plant was opened in October. The current production of Float Zone silicon continued at the previous location as customers will have to qualify the new plant prior to transfer.

TOPSIL NAME NOW USED THROUGHOUT THE ORGANISATION

In the autumn of 2012, Topsil's subsidiary in Poland changed its name to Topsil. Up until this time, Topsil had delivered silicon under two different names – Topsil for Float Zone products produced in Denmark, and Cemat for Czochralski products produced in Poland.

The purpose of the name change was to strengthen Topsil's overall position in the market as the preferred supplier of Float Zone and Czochralski high-quality silicon for the power market. This a natural step in the parent/subsidiary integration process and will facilitate customer order management, from enquiry to end-product. This name change also underpins the Company's efficiency enhancements at all levels of the value chain and paves the way for a fully integrated distribution system.



SUPPLY CHAIN, OPERATIONS AND STAFF

From the time when Topsil receives raw material until a finished silicon wafer is ready for shipment, the lead time is relatively long. The production of silicon can be divided into a number of complex, time-consuming processes, during which raw materials are prepared, melted, cooled down and later post-processed and delivered as wafers. During the different processing phases, quality is tested by using a number of parameters, and depending on the product type, several of the finishing processing phases will be undertaken by sub-contractors. In relation to the finished products, customers place particularly heavy demands on quality, reliability of delivery and production efficiency.

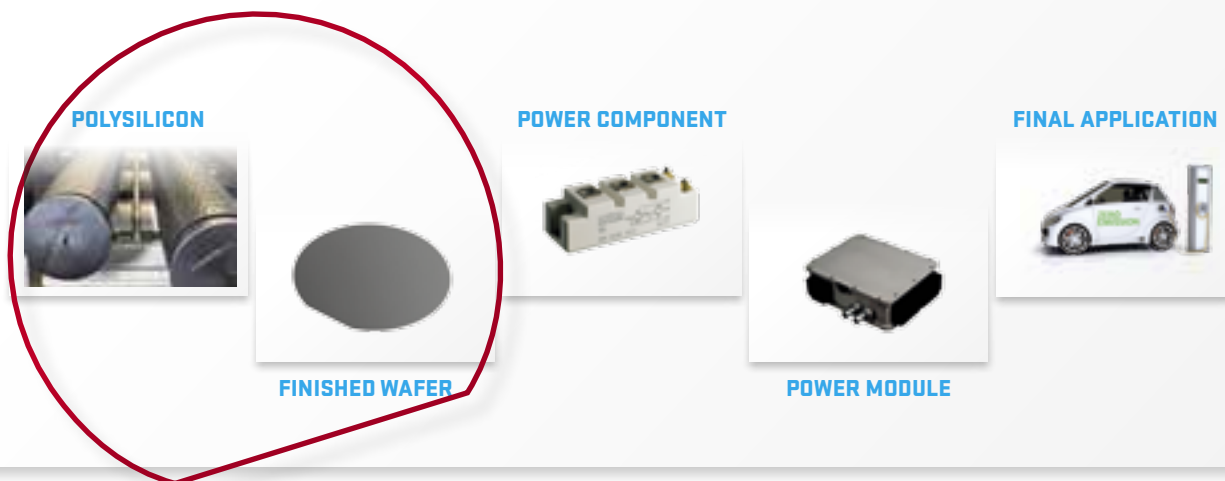
THE CRITICAL RAW MATERIAL FOR FLOAT ZONE SILICON

The production of Float Zone and Czochralski silicon involves different raw materials. The production of raw materials for Float Zone silicon is particularly complex and costly, since only two companies in the world are capable of supplying the raw materials in the required quality. Since timely delivery of silicon wafers

is crucial to Topsil's customer relations and sales potential, the Company has signed long-term contracts with both suppliers, covering partly the quantity required according to customer contracts and partly facilitating further purchases. Using its own Czochralski production technology, Topsil is also in a position to develop raw materials for Float Zone silicon should this be necessary.

THE VALUE CHAIN

The picture shows an example of the value chain for Topsil's products. Topsil produces and delivers finished silicon wafers for which polysilicon has been used. Subsequently, silicon is used in power components which, depending on their application, may again be integrated in a larger module before ending up in the end-user application, in this case an electric car.



HIGH, UNIFORM QUALITY

Silicon produced by Topsil must be fully functional and maintain an unchanged, high quality standard for many years. Topsil therefore carries out quality control of its products several times during the production process, from raw material to finished wafer, using a number of critical parameters. The Company's quality controls are carried out according to the industry standard SEMI.

Topsil's quality management system is based on TS16949 and ISO9001 principles; Topsil has obtained TS16949 certification in Denmark and ISO9001 certifications as well as ISO14001 environment certification in Denmark and Poland.

CAREFUL SUPPLIER MANAGEMENT

On-time-delivery is vital to Topsil's customers. If Topsil's products are not delivered on the agreed date, at the agreed time, this may cause significant delays in the production of major component series, thus resulting in massive losses. Since Topsil is not itself responsible for every single step in the production process, careful supplier management is vital to ensure that Topsil delivers quality products on time. Over time, Topsil has developed a solid, extensive network of suppliers of major importance to the production process. To gain maximum insight into and control of the most important factors and to ensure the timely identification and prevention of any potential risks, Topsil audits its key suppliers on an ongoing basis.

IMPROVED MACHINERY AND OTHER EQUIPMENT TO SUPPORT EFFICIENCY

Topsil's investment programme for 2010-2012 includes a number of new machinery and other production equipment designed to handle the next generation of silicon wafers. The Company took delivery of and installed several new machines in 2012 for

use in the new plant, but also for upgrading of the wafer processing facilities in Poland. Total investments for property, plant and equipment amounted to DKK 122.9 million in 2012 against DKK 102.9 in 2011.

STREAMLINING OF THE ORGANISATION

Topsil merged an additional number of functions and IT systems across locations in Denmark as well as in Poland in 2012. On an ongoing basis, the Company will consider how best to solve sub-tasks based on an overall assessment of efficiency and financial feasibility. In Poland, a shared services centre was set up between Topsil Semiconductor Materials S.A. and Cemat'70 S. A. which resulted in considerably improved data quality and lower cost pertaining finance and human resources functions.

STAFF

Topsil relies heavily on its knowledge resources in the form of its highly skilled and motivated staff. In 2012, new important, talented members of staff were added to the overall management team, and work on the new strategy involved employees at all levels of the organisation to help increase task ownership and progress. In addition, Topsil implemented strongly enhanced in-house quality improvement systems during the year.

At the end of 2012, Topsil had 358 employees, of which 97 had their work base in Denmark and 222 in Poland. The average seniority at Topsil in 2012 was 9.7 years (Denmark 8.4 years, Poland 10.9 years) and the average age was 42.8 years (Denmark 45, Poland 42). In Denmark, the gender distribution was 72% male employees, 28% female employees and 10% with non-Danish background. In Poland, the gender distribution was 61% male employees, 39% female employees and 1% with non-Polish background.

FINANCIAL PERFORMANCE IN 2012

INCOME STATEMENT

Revenue in Topsil came to DKK 72.5 million in Q4 2012, bringing total revenue for 2012 to DKK 289.6 million against DKK 367.4 million in 2011, equivalent to a revenue decline of 21%. At the beginning of 2012, the Company's customers and Topsil expected the market to be weak early in the year with positive trends building in the second half of the year. These expectations were not met as the underlying market did not recover. One of the Company's major customers was unable to meet the minimum purchase contractual requirements for the year, and on 8 August 2012 Topsil therefore had to lower its expectations.

Revenue was slightly higher than the most recently announced expectations of revenue of DKK 260-280 million for the 2012 financial year.

In 2012, 72% of Group revenue was generated from FZ products against 82% in 2011, of which FZ-NTD products accounted for the major part, namely 54%.

The sale of CZ products rose by approximately 20% compared to 2011 despite the general market slowdown, an improvement attributable to a customer agreement aiming at better capacity utilisation of the CZ production.

Costs of raw materials and consumables fell from DKK 203.3 million in 2011 to DKK 164.5 million in 2012 as a result of lower sales volumes, especially of FZ products.

The contribution margin fell considerably in 2012 due to a generally lower capacity utilisation rate and changes in product mix, which was partly offset by initial productivity improvements driven by the extensive investment programme for production facility upgrading of the past three years.

Other external expense were reduced in 2012 by approximately DKK 5 million (9.4%) relative to 2011 due to consistent, strict cost control and cost reduction programmes.

Staff costs were reduced by about DKK 15 million in 2012 (16.3%) from DKK 90.7 million in 2011 to DKK 75.9 million in 2012. This is, most significantly, a reflection of the effect of the implemented

cost reduction programmes and lower share-based remuneration. It is also a result of the extraordinary expenses pertaining to the managerial changes in 2011.

The Group had an average of 358 employees in 2012 against 383 in 2011, and the employee headcount at 31 December 2012 was 362.

EBITDA was DKK 0.1 million in Q4 2012, corresponding to an EBITDA margin of 0% and was, as expected, marked by market developments in the second half of 2012.

EBITDA amounted to DKK 12.8 million and an EBITDA margin of 4.2% for the financial year 2012 against an EBITDA of DKK 35.1 million and an EBITDA margin of 9.2% in 2011. The reduction of the Group's EBITDA margin was mainly attributable to the lower revenue and consequently lower capacity utilisation.

EBITDA is in line with the most recently announced expectations of EBITDA of DKK 5-15 million.

Topsil's EBIT for 2012 was a DKK 13.9 million loss against a positive EBIT of DKK 6.0 million in 2011, corresponding to a negative EBIT margin of 4.6% relative to a positive EBIT margin of 1.6% in 2011.

Financial items were a net expense of DKK 3.7 million in 2012 against DKK 9.2 million in 2011. Thereof, exchange rate adjustments (expense) amounted to DKK 1.1 million in 2012 against DKK 6.7 million in 2011. When adjusted according to this, the net interest payable is at level with 2011.

Topsil incurred a loss before tax of DKK 17.6 million for 2012 against a loss of DKK 3.3 million in 2011.

Tax on loss for the year came to DKK 7.0 million and consisted of a partly impaired financial tax asset of DKK 8.5 million relating to the subsidiary in Poland and other deferred tax adjustments.

Topsil reported a loss of DKK 24.7 million for 2012 against a loss of DKK 6.8 million for 2011. Management considers the performance to be unsatisfactory.

BALANCE SHEET

Total assets amounted to DKK 686.2 million at 31 December 2012, an increase of DKK 84.7 million (14.1%) compared to the year-earlier period. This increase is mainly due to investments in production facilities of DKK 122.9 million and a DKK 21.2 million reduction of receivables.

ASSETS

Intangible assets and property, plant and equipment amounted to a total of DKK 433.0 million at the end of 2012 against DKK 314.9 million in 2011. The increase was primarily owing to higher investments in the form of buildings and production equipment as part of the construction of the new plant and R&D investments amounting to DKK 9.2 million.

Financial assets amounted to DKK 22.1 million in 2012 against DKK 26.8 million in 2011. The reduction was caused by guarantees provided to suppliers being amortised according to contract. Hence, the amounts released were added to the Group's cash resources.

Inventories amounted to DKK 159.0 million at the end of the year, which was DKK 12.7 million higher than the year before (2011: 146.3 million) due to declining demand and stock building as a result of the initial steps of relocating to the new plant.

Receivables were reduced from DKK 79.5 million in 2011 to DKK 58.3 million at the end of 2012. The decline was attributable to the lower revenue in Q4 2012 compared to the year before. Receivables made up 19.3% of revenue against 21.7% in 2011 because revenue in Q4 2011 was recognised very late in the quarter.

CASH AND CASH EQUIVALENTS

As at the balance sheet date, the Group had cash and cash equivalents of DKK 10.9 million and unutilised credit facilities of DKK 25.0 million.

EQUITY AND LIABILITIES

The Group's equity at 31 December 2012 was DKK 405.8 million, of which DKK 18.0 million was attributable to non-controlling interests in Cematec S.A. and DKK 387.8 million was attributable to the shareholders of Topsis Semiconductor Materials A/S.

The change in equity before non-controlling interests was mainly due to the negative performance of the financial results for the year. The change in equity relating to non-controlling interests was attributable to the Group's acquisition of non-controlling interests during the year.

The Group's non-current liabilities came to DKK 162.6 million at the end of 2012. The increase of DKK 112.5 million in 2012 from DKK 50.1 million in 2011 was attributable to loan facilities for DKK 125.0 million set up to finance the investment of its new production facilities, which were partly offset by instalments on finance lease commitments and a reduction of contractual prepayments from customers.

Current liabilities amounted to DKK 117.8 million at 31 December 2012 against DKK 122.3 million in 2011. The increase was primarily attributable to a DKK 16.0 million reduction in trade creditors mainly because of the plant construction being close to completion.

CASH FLOW STATEMENT

Cash flows from operations for the year amounted to an outflow of DKK 3.8 million against an inflow of DKK 4.7 million in 2011. This decline was primarily attributable to the Company's lower financial results in 2012 and was partly offset by lower financing costs and tax.

Cash flows from investing activities were DKK 131.7 million and primarily related to investments in production facilities of DKK 122.9 million and in development projects of DKK 9.2 million.

Cash flows from financing activities were DKK 122.2 million and primarily related to loan facilities pertaining to investments in production facilities and the acquisition of non-controlling interests in Cematec S.A.

Cash flows were an outflow of DKK 13.3 million in 2012 against an outflow of DKK 67.2 million in 2011.

EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after the balance sheet date.

SPECIAL RISKS

MARKET AND BUSINESS RISKS

The majority of Topsil's silicon products are used for end products within infrastructure, energy-saving solutions and sustainable energy, areas highly impacted by political decisions. Shifting political winds resulting in changing investment focus, deferrals or cancellation of major investments will thus have an impact on the Group's activity level and/or growth potential.

Should the market price on silicon wafers drop, the Group's profitability may suffer.

TECHNOLOGY AND PRODUCT CHANGE

If new or substitute technologies or production methods are developed of the same quality and with the same or better properties as and at a lower price than that of ultra-pure silicon, this may impact the Group's competitiveness. If customer qualifications fail to materialise or are significantly delayed, this may have an impact on the Group's future competitiveness.

COMPETITION

Even though Topsil is one of the world's largest suppliers of ultra-pure silicon to the power market, the Group is also a relatively small player amongst very large competitors. This may entail business risks as a result of Topsil's weaker capital base.

The CZ market is characterised by capital-intensive production facilities, a considerable number of competitors and high cyclical-ity; however, the niche markets that Topsil addresses, are not quite as competitive. In the event of increased competition in the niche markets, this might entail price pressure.

CUSTOMERS

Sales to the Group's three largest customers account for about 37% of revenue, of which two of these customers account for at least 10% of consolidated revenue. The loss of one or more of the Group's largest customers will therefore have an adverse impact on consolidated revenue.

The Group 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. Likewise, it may constitute a risk if other revenue does not meet the expected level.

SUPPLIERS

There are only two suppliers of raw materials for production of ultra-pure silicon, and Topsil has signed long-term contracts with both of them. If the Group loses one or both raw material suppliers or if they do not deliver the agreed amount of products, this may have an impact on the Group's production capacity. If the market price of silicon 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.

The production of ultra-pure silicon requires raw silicon of a very high quality. If the quality of the raw silicon delivered is not adequate, this may impact the Group's production and its ability to perform the customer contracts.

If customers demand amounts of silicon which are smaller than the amounts that Topsil must buy as raw materials, this may result in higher raw material inventories.

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 major wafer suppliers acquired a float zone manufacturer in 2012 and will thus be able to produce float zone silicon in future, which may have an impact on this partnership in the long term.

DISTRIBUTORS

The Group has distributors in a number of geographic markets. If one or more distributors wish to make significant changes to the distribution terms or wish to terminate their contract altogether, this may impact Topsil’s revenue in selected geographic areas or from specific customers.

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 may 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 considerable additional costs and/or claims for discounts, and customer relations will suffer.

After having outsourced wafering activities for a number of years, the Group has now in-sourced parts of the wafer processing to its subsidiary in Poland, thus ensuring that Topsil has a platform, from which to further extend its capacity or offer its services as a third party supplier.

Topsil is, at any time, dependent on being able to attract qualified labour, and given its size, dependent on a number of key employees. If one or more key employees were to leave the Group, there is a risk that Topsil would be adversely affected.

CONSTRUCTION OF A NEW PLANT

The Group has built a new plant in Denmark. Relocating from the old to the new plant is a process requiring strong management focus. The construction of and relocation to the plant is associated with higher risks than the Group’s ordinary operations. These risks comprise customer qualifications of products from the new plant and delays in the commissioning and testing of production equipment.

GROUP COMPANIES

If synergies with the subsidiary Topsil Semiconductor Materials S.A. are not achieved, this may adversely affect the Group.

Cemat’70 S.A. is a property company with a property portfolio of about 60 leases. If a major part of the lease agreements are terminated, and the properties cannot be relet, this may impact the profitability of Cemat’70 S.A. If the sale of the shareholding in Cemat’70 S.A. is further delayed, this might result in Topsil having to deal in property management for an extended period of time.

INSURANCES

The Group has chosen to arrange for insurance cover within a number of general areas, including all risks insurance, transport insurance, professional and product liability insurance, debtor 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 35 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 the year, involving an extension of existing facilities and a commitment for a DKK 55 million temporary credit facility which will run until 31 December 2013. If during 2013 it is assessed that there is a need to extend the loan facility, Management will initiate negotiations with the bankers with a view to renewing the agreement in due time. Management believes a renewal will be possible.

Based on the 2013 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 measures.

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 Company’s capital resources. Management believes that any negative deviations in its operations in respect of budgeted cash flows can be timely countered through cash flow-enhancing activities.

Further reference is made to note 35 to the financial statements for a description of cash flows and capital resources.

GROUP OVERVIEW

GROUP OVERVIEW

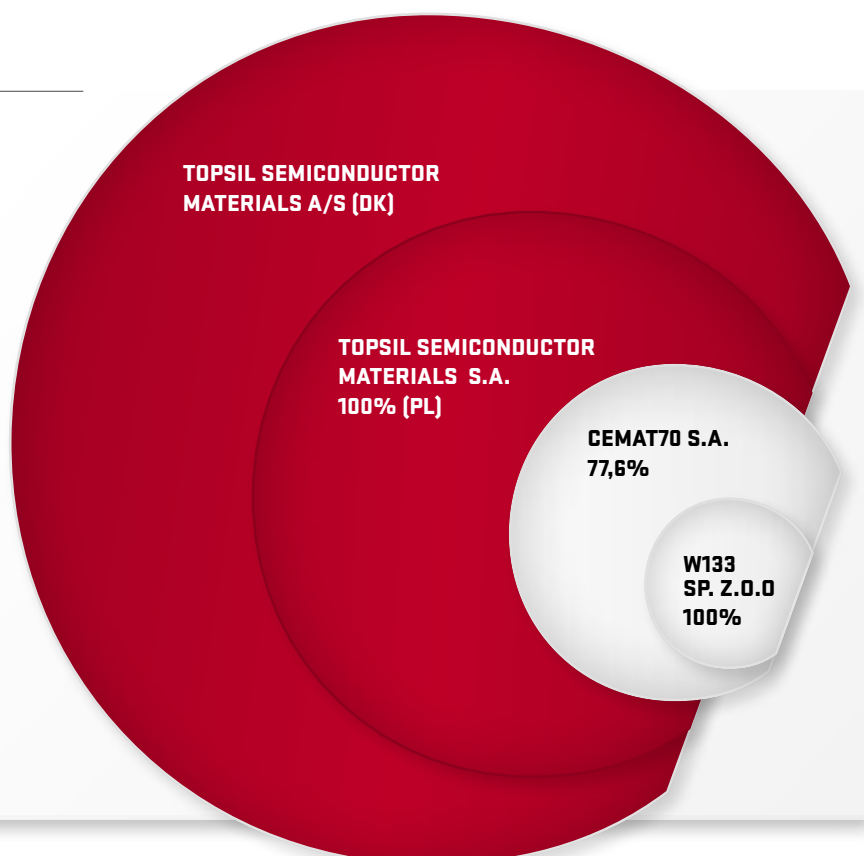
The Group consists of the following companies:

The parent company Topsisil Semiconductor Materials A/S, Denmark

The subsidiary Topsisil Semiconductor Materials S.A., Poland.

Its subsidiary, the property company Cemat'70 S.A., Poland.

Its subsidiary W133 Sp. Z.O.O., Poland



In January 2012, Topsisil Semiconductor Materials S.A. increased its ownership interest in Cemat'70 S.A. to 77.6%. The remaining 22.4% is owned by SPEC (local Polish energy company) (9.4%), the employees (7.6%) and other investors (5.4%). The property complex located in Warsaw comprises the buildings from which Topsisil Semiconductor Materials S.A. operates its business, and 60 other leases.

Cemat'70 S.A. established its wholly owned subsidiary, W133 Sp. Z.O.O., in 2012. The subsidiary was set up for the purpose of owning/taking over land from Cemat'70 S.A. for resale purposes.

Topsisil Semiconductor Materials S.A. occupies about one third of Cemat'70 S.A.'s building space. Topsisil Semiconductor Materials S.A.'s share of the capital corresponds to its share of votes in the subsidiary.

The carrying amount of the company is specified in a separate note to the financial statements.

STATUTORY REPORT

On corporate governance

Topsil's statutory report on corporate governance covers the reporting period 1 January – 31 December 2012.

The report consists of three elements:

- Corporate governance report
- A description of Topsil's Management
- 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 consider the work on corporate governance an ongoing process, and they consistently aim for the Company's management structure and control systems to be appropriate and satisfactory.

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

Pursuant to s. 107(b) 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 recommendations published by the Committee on Corporate Governance in Denmark on 16 August 2011. 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 fully complies with 76 out of 79 corporate governance recommendations and partially complies with the remaining three recommendations. Management's position on the recommendations of the Committee on Corporate Governance is available on Topsil's website: www.topsil.com/media/105759/corporategovernanceuk2012.pdf

STATUTORY REPORT ON CORPORATE GOVERNANCE

The statutory report on corporate governance is available on Topsil's website: www.topsil.com/media/105765/statutory2012.pdf

On corporate social responsibility

According to section 99a of the Danish Financial Statements Act, Topsil must either report on its CSR efforts or explain why it has decided not to do so.

In 2010, the Company prepared a CSR strategy covering the entire company. Since then, Topsil has further developed this area systematically and has reported on any improvements made. In early March 2011, the Company adopted the ten UN Global Compact principles within human rights, labour standards, the environment and anti-corruption.

In 2012, Topsil primarily improved its performance concerning the environment, as new equipment was installed at the new plant and an environmental certification, ISO14001, was

achieved. Topsil, furthermore, formulated internal guidelines concerning anti-corruption.

As a result of the UN Global Compact membership, Topsil now submits annual reports on its progress through its "Communication on Progress" report (COP), which is available on www.unglobalcompact.org, the first time covering the calendar year 2011 and most recently covering the calendar year 2012. As a consequence, Topsil does not report separately on CSR in the annual report.

All CSR reporting is posted on Topsil's website: www.topsil.com/media/103862/final_cop2012.pdf

SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

The Group's policy is to ensure that the organisation 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 its shareholders.

Management aims to provide the best basis for the shareholders to assess the Group's shares and thus for the share price to reflect the current situation of the Company and its future prospects.

At the same time, the policy is intended to ensure that Topsil meets the disclosure requirements of the equity market and that inside information which could have a considerable influence on the price of Topsil's shares is not disclosed to unauthorised persons.

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

The full wording of the policy is available on the Group's website under "Investor Relations".

Topsil makes use of electronic document exchange and electronic mail in its communications with shareholders, see s. 92 of the Danish Companies Act and article 17 in the Articles of Association. Shareholders and other stakeholders who have subscribed to Topsil's electronic news service on the Group's website will automatically receive copies of annual and interim reports and other announcements.

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 2012 in connection with the presentation of financial results, capital market days and company visits. In 2012, S|E|B Enskilda and Carnegie Bank A/S provided coverage of Topsil. See the Company's website for further details.

SHARE CAPITAL

The share capital of Topsil Semiconductor Materials A/S amounts to DKK 132,028,539.25 nominal value divided into 528,411,157 shares of DKK 0.25 each. Topsil has only one share class, and its share of the capital corresponds to its share of votes.

The Board of Directors and the Management Board regularly perform assessments of 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 2012.

AUTHORITY

Pursuant to the Articles of Association, the Board of Directors has been authorised by the general meeting to issue, during the period until 1 April 2013, up to 196,109,849 new shares.

In addition, the general meeting has authorised the Board of Directors to issue, during the period until 1 April 2013, up to 9,361,105 employee shares under s. 7(A) of the Danish Tax Assessment Act.

Finally, the shareholders in general meeting have authorised the Board of Directors, during the period until 29 April 2014, to issue up to 19,409,440 warrants to managerial staff.

The Articles of Association were most recently updated on 26 April 2012.

SHARE PRICE PERFORMANCE

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

At the end of 2011, the share price was DKK 0.48. As a result of the Company's downgrade on 8 August 2012, the price of the Topsil share fell to 0.32. At 31 December 2012, the shares traded at 0.38, equivalent to a market capitalisation of approximately DKK 200 million.

Composition of shareholders at 31 December 2012	Number of shares	Capital DKK	Capital %
EDJ-Gruppen, Bangs Gård, Torvet 21, 6701 Esbjerg, Denmark	73,811,707	18,452,926.75	14
Small Cap Danmark Toldbodgade 53 1253 Copenhagen K, Denmark	26,633,615	6,658,403.75	5
Other registered shareholders	309,108,142	77,277,035.50	59
Shareholders not registered by name	118,560,693	29,640,173.25	22
Total	528,114,157	132,028,539.25	100

SHAREHOLDER STRUCTURE

At the end of 2012, Topsil had 7,570 registered shareholders owning a total of 78% of the share capital. Shareholders who have reported that they hold more than 5% of the share capital are listed in the table above.

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 custody bank. Topsil's register of shareholders is managed by Computer-share A/S, Kongevejen 418, DK-2840 Holte, Denmark.

TREASURY SHARES

Pursuant to s. 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. At the end of 2012, Topsil did not hold treasury shares.

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 "Investor Relations" and in the annual report.

MANAGEMENT'S HOLDINGS OF TOPSIL SHARES

As at 31 December 2012, the Board of Directors held 75,576,016 shares (nominal value of DKK 18,894,004), corresponding to 14.3% of the share capital and a market value of DKK 28.7 million, and 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 1.4 million. In addition, the Management Board held a total of 7,579,870 warrants.

The Company's 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 Company's 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. The holdings and changes for the individual members during 2012 can be found on the Company's website and are specified in this annual report under "Company Information".

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Monday, 22 April 2013 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 requested to be notified. Shareholders can subscribe via OMX. Topsil, moreover, calls for 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

Going forward, Topsil will strive 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 of the capital structure and investment requirements and opportunities to secure the Group’s development and growth.

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 for the financial years 2010 and 2011. Due to the current level of interest bearing debt, the Board of Directors will not propose distribution of dividend in respect of 2012

ANNOUNCEMENTS IN 2012 AND 2013

2012	Announcement
27.01	Acquisition of minority shares
28.03	Annual Report 2011
02.04	Notice to convene Annual General Meeting 2012
26.04	Topsil establishes warrant programme for Management Board and managerial employees
26.04	Decisions of Annual General Meeting
08.05	Updated Articles of Association
09.05	Updated Articles of Association
09.05	Warrant programme - Change of Articles of Association
23.05	Interim report Q1
13.06	Insiders’ trading
08.08	Topsil lowers revenue and EBITDA expectations 2012
29.08	Interim report Q2
29.08	Strategy 2013-2015
26.09	Insiders’ trading
22.11	Interim report Q3
30.11	Financial calendar 2013
17.12	Change of Topsil Management
17.12	Major Shareholder Announcement
18.12	Insiders’ trading
2013	Announcement
03.01	Next silicon wafer generation submitted for customer qualification

FINANCIAL CALENDAR 2013

Date	Announcement	Silent period
20.03	Annual Report 2013	20.02.2013 – 20.03.2013
22.04	General meeting	
28.05	Interim report Q1	30.04.2013 – 28.05.2013
27.08	Interim report Q2	30.07.2013 – 27.08.2013
27.11	Interim report Q3	30.10.2013 – 27.11.2013

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 2013
**No. of shares held in Topsil (own
 and related parties):** 1,087,500
 (2011: 1,087,500)
Remuneration paid in 2012:
 DKK 500,000
**Directorships and other managerial
 positions:** Chairman of the board of
 directors of Vitral A/S, CEO of CCMA ApS,
 UAB Vitral, Lithuania and Vitral Ltd., UK.
Special qualifications: Business, indus-
 trial and general management experi-
 ence 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, Chairman 2005. Current
 term expires in 2013
**No. of shares held in Topsil (own
 and related parties):** 73,414,829
 (2011: 71,589,811)
Remuneration paid in 2012:
 DKK 350,000
**Directorships and other managerial po-
 sitions:** CEO and member of the boards
 of directors of Ejendomsaktieselskabet
 Bangs Gård and Aktieselskabet Eivind
 Dam Jensen, and owner of Statsaut. Ejen-
 domsmæglerfirma E. Dam Jensen
Special qualifications: Purchase, sale,
 valuation and letting of commercial
 and investment properties and property
 management



JØRGEN FROST (born 1954)
 CEO
 MSc (Engineering), BCom (Marketing)
 Elected 2006, member of the Audit Com-
 mittee in 2010. Current term expires in
 2013
No. of shares held in Topsil: 165,000
 (2011: 165,000)
Remuneration paid in 2012:
 DKK 200,000
Audit committee: DKK 50,000
**Directorships and other managerial po-
 sitions:** Member of the Board of directors
 of Fischer Holding A/S, founder, CEO and
 member of the board of directors of Frost
 Invest A/S and member of the boards of
 directors of Vestergaard Company A/S,
 Kongskilde Industries A/S 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



MICHAEL HEDEGAARD LYNG (born 1969)
 CFO
 MSc (Economics and Auditing), MBA (IMD)
 Elected 2010, chairman of the Audit Committee 2010. Current term expires in 2013
No. of shares held in Topsil: 490,000 (2011: 490,000)
Remuneration paid in 2012: DKK 200,000
Audit committee: 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
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 (2011: 0)
Remuneration paid in 2012: 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
 Elected in 2011. Current term expires in 2015
No. of shares held in Topsil: 22,000 (2011: 22,000)
Remuneration paid in 2012: 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 in Engineering, BCom in Marketing
No. of shares held in Topsil: 420,000 (2011: 0)
No. of warrants held in Topsil: 6,451,870
Directorships and other managerial positions: Deputy chairman of Mita-Teknik A/S.
 Member of the board of directors of Phase One A/S



JØRGEN BØDKER (born 1958)
 EVP, Sales & Marketing, employed in 2002
 BSc (Electronics) BCom (Business Administration)
No. of shares held in Topsil: 3,238,738 (2011: 3,238,738)
No. of warrants held in Topsil: 1,128,000
Directorships: None

Auditors

Deloitte
 Statsautoriseret Revisionsaktieselskab

State-authorized public accountant
 Bill Haudal Pedersen

State-authorized public accountant
 Jørgen Holm Andersen

MANAGEMENT STATEMENT

We have today presented the annual report of Topsil Semiconductor Materials A/S for the financial year 1 January – 31 December 2012.

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 2012 and of the results of the Group's and the parent

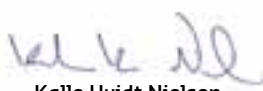
company's operations and cash flows for the financial year ended 31 December 2012.

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, 20 March 2013

DIREKTION:



Kalle Hvidt Nielsen
CEO



Jørgen Bødker
EVP, Director of Logistics,
Sales & Marketing

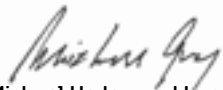
BESTYRELSE



Jens Borelli-Kjær
Chairman



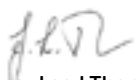
Eivind Dam Jensen
Deputy Chairman




Michael Hedegaard Lyng
Board member



Jørgen Frost
Board member



Jesper Leed Thomsen
(Elected by the employees)



Jens Balslev Olesen

INDEPENDENT AUDITOR'S REPORT

To the shareholder 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 2012, 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 audi-

tor considers internal control relevant to the entity's preparation 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 2012, and of the results of their operations and cash flows for the financial year 1 January – 31 December 2012 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, 20 March 2013

Deloitte

Statsautoriseret Revisionspartnerselskab



Bill Haudal Pedersen
State Authorised
Public Accountant



Jørgen Holm Andersen
State Authorised
Public Accountant

FINANCIAL STATEMENT

1 JANUAR-31 DECEMBER 2012



INCOME STATEMENT

1 JANUARY – 31 DECEMBER

PARENT COMPANY				GROUP	
2011	2012	DKK'000	Note	2012	2011
283,706	203,975	Revenue	3	289,567	367,439
8,834	(21,586)	Change in finished goods and work in progress		6,310	12,049
3,734	6,392	Work carried out for own account		6,392	3,734
92	8	Other operating income		8	92
(142,310)	(85,024)	Costs of raw materials and consumables		(164,469)	(203,329)
(32,522)	(40,704)	Other external expenses		(49,099)	(54,144)
(68,314)	(58,552)	Staff costs	4, 5, 6	(75,914)	(90,735)
(11,282)	(11,459)	Depreciation, amortisation and impairment	7	(26,708)	(29,079)
41,938	(6,948)	Operating profit/(loss) (EBIT)		(13,913)	6,027
0	(146,000)	Income from investments in subsidiaries	8	0	0
6,941	1,868	Financial income	9	488	693
(2,628)	(3,249)	Financial expenses	10	(4,216)	(9,991)
46,251	(154,329)	Profit/(loss) before tax		(17,641)	(3,271)
(12,297)	1,788	Tax on profit/(loss) for the year	11	(7,029)	(3,547)
33,954	(152,541)	Profit/(loss) for the year		(24,670)	(6,818)
		Distribution of profit for the year:			
		Parent company shareholders		(24,596)	(5,750)
		Non-controlling interests		(74)	(1,068)
				(24,670)	(6,818)
0.06	(0.29)	Earnings per share (DKK)	12	(0.05)	(0.01)
0.06	(0.29)	Diluted earnings per share (DKK)	12	(0.05)	(0.01)

STATEMENT OF COMPREHENSIVE INCOME

1 JANUAR – 31 DECEMBER:

PARENT COMPANY				GROUP	
2011	2012	DKK'000	Note	2012	2011
33,954	(152,541)	Profit/(loss) for the year		(24,670)	(6,818)
0	0	Foreign exchange adjustment relating to foreign companies		12,607	(14,737)
33,954	(152,541)	Comprehensive income for the year		(12,063)	(21,555)
Distribution of comprehensive income for the year:					
33,954	(152,541)	Parent company shareholders		(15,006)	(16,342)
0	0	Non-controlling interests		2,943	(5,213)
33,954	(152,541)			(12,063)	(21,555)

CASH FLOW STATEMENT

FOR 2012

PARENT COMPANY			GROUP		
2011	2012	DKK'000	Note	2012	2011
41,938	(6,948)	Operating profit/(loss) (EBIT)		(13,913)	6,027
11,282	11,457	Depreciation, amortisation and impairment		26,708	29,079
2,721	968	Share-based payments recognised in the income statement		1,137	2,721
(72,373)	40,799	Change in net working capital	30	(10,240)	(16,561)
(16,432)	35,322	Cash generated from operations (operating activities)		3,692	21,266
(7,433)	(3,158)	Tax paid		(3,791)	(7,435)
6,941	1,868	Financial income received		488	554
(2,497)	(3,249)	Financial expenses paid		(4,216)	(9,719)
(19,421)	39,861	Cash flows from operating activities		(3,827)	4,666
(8,907)	(8,221)	Acquisition etc. of intangible assets		(9,206)	(4,807)
(82,706)	(99,826)	Acquisition etc. of property, plant and equipment		(122,500)	(102,945)
(91,613)	(108,047)	Cash flows from investing activities		(131,706)	(107,752)
20,000	135,000	Loans raised with credit institutions		134,576	30,000
5,847	0	Proceeds from the issue of shares, net		0	5,847
0	0	Acquisition of non-controlling interests		(12,374)	0
25,847	135,000	Cash flows from financing activities		122,202	35,847
(85,187)	(12,908)	Cash flows for the year		(13,331)	(67,239)
99,913	14,726	Cash and cash equivalents at beginning of period		23,482	90,387
0	0	Market value adjustment of cash and cash equivalents		754	334
(14,726)	1,818	Cash and cash equivalents at end of period	20	10,905	23,482

BALANCE SHEET

AS AT 31 DECEMBER 2012

PARENT COMPANY		ASSETS DKK'000	Note	GROUP	
2011	2012			2012	2011
8,338	6,437	Completed development projects		8,946	11,715
0	0	Goodwill		18,068	16,636
0	0	Other intangible assets		15,670	14,714
8,568	16,788	Development projects in progress		16,788	8,568
16,906	23,225	Intangible assets	7, 13, 14	59,472	51,633
5,549	14,577	Land and buildings		65,850	56,462
43,791	40,401	Plant and machinery		115,386	102,801
4,412	2,812	Other fixtures and fittings, tools and equipment		3,123	4,903
87,060	173,290	Property, plant and equipment under construction		189,159	99,075
140,812	231,080	Property, plant and equipment	7, 15	373,518	263,241
159,987	94,704	Investments in subsidiaries	16	0	0
26,818	22,116	Other receivables, non-current etc.	17	22,116	26,818
186,805	116,820	Financial assets		22,116	26,818
0	0	Deferred tax asset	11	2,923	10,497
344,523	371,125	Non-current assets		458,029	352,189
104,582	91,595	Inventories	18	159,010	146,338
50,763	31,038	Trade receivables	19	49,973	70,670
79,641	59,575	Receivables from subsidiaries		0	0
4,689	1,869	Other receivables	20	4,840	7,692
0	500	Income tax receivable		500	0
619	2,262	Prepayments		2,966	1,124
135,712	95,244	Receivables		58,279	79,486
14,726	1,818	Cash and cash equivalents	21	10,905	23,482
255,020	188,657	Current assets		228,194	249,306
599,543	559,782	Assets		686,223	601,495

BALANCE SHEET

AS AT 31 DECEMBER 2012

PARENT COMPANY		EQUITY AND LIABILITIES		GROUP	
2011	2012	DKK'000	Note	2012	2011
132,029	132,029	Share capital	22	132,029	132,029
0	0	Translation reserve	23	(13,427)	(23,017)
5,970	477	Reserve for share-based payments	23	477	5,970
338,358	192,447	Retained earnings		268,749	279,028
476,357	324,953	Equity attributable to parent company shareholders		387,828	394,010
0	0	Equity attributable to non-controlling interests		17,978	35,096
476,357	324,953	Equity		405,806	429,106
0	125,000	Debt to credit institutions	24	125,000	0
8,236	4,951	Finance lease liabilities	25	4,951	8,236
24,043	14,319	Prepayments received on account from customers		14,319	24,043
0	0	Other non-current liabilities	26	2,659	1,003
7,811	6,031	Deferred tax liabilities	11	15,656	16,798
40,090	150,301	Non-current liabilities		162,585	50,080
20,000	30,000	Debt to credit institutions	24	40,473	30,033
2,688	3,074	Finance lease liabilities	25	3,074	2,688
41,029	25,469	Trade creditors	27	49,994	65,987
0	5,484	Debt to subsidiaries		0	0
278	4,915	Prepayments received on account from customers		4,915	278
2,668	0	Income tax payable		0	2,668
3,198	1,955	Provisions	28	1,955	3,198
13,235	13,631	Other payables	29	17,421	17,457
83,096	84,528	Current liabilities		117,832	122,309
123,186	234,829	Total liabilities		280,417	172,389
599,543	559,782	Equity and liabilities		686,223	601,495
		Operating lease liabilities	31		
		Charges, guarantees and contingent liabilities	32-33		
		Notes without reference	34-42		

STATEMENT OF CHANGES IN EQUITY

FOR 2012 (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 01.01.2011	130,022	(12,425)	6,118	278,069	401,784	40,309	442,093
Comprehensive income for the year	0	(10,592)	0	(5,750)	(16,342)	(5,213)	(21,555)
Share-based payment, see note 6	0	0	2,721	0	2,721	0	2,721
Share-based payment, exercised share warrants, see note 6	0	0	(2,869)	2,869	0	0	0
Cash capital increase	2,007	0	0	3,852	5,859	0	5,859
Costs relating to capital increase	0	0	0	(12)	(12)	0	(12)
Equity at 31.12.2011	132,029	(23,017)	5,970	279,028	394,010	35,096	429,106
Equity at 01.01.2012	132,029	(23,017)	5,970	279,028	394,010	35,096	429,106
Comprehensive income for the year	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 share warrants, see note 6	0	0	(6,630)	6,630	0	0	0
Acquisition 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

STATEMENT OF CHANGES IN EQUITY

FOR 2012 (PARENT COMPANY)

DKK'000	Share capital	Reserve for share-based payment	Retained earnings	Total equity
Equity at 01.01.2011	130,022	6,118	297,697	433,837
Comprehensive income for the year	0	0	33,953	33,953
Share-based payment, see note 6	0	2,721	0	2,721
Share-based payment, exercised share warrants, see note 6	0	(2,869)	2,869	0
Cash capital increase	2,007	0	3,852	5,859
Costs relating to capital increase	0	0	(13)	(13)
Equity at 31.12.2011	132,029	5,970	338,358	476,357
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 share warrants, see note 6	0	(6,630)	6,630	0
Equity at 31.12.2012	132,029	477	192,447	324,953

NOTES

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1. ACCOUNTING POLICIES

The annual report of Topsil Semiconductor Materials A/S for 2012, comprising the financial statements of the parent company and the consolidated financial statements, is presented in accordance with the International Financial Reporting Standards (IFRS) 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 also comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

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 amended standards and interpretations

The following new and amended standards and interpretations, which apply for financial years beginning on 1 January 2012, have been implemented in the annual report for 2012.

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 2012 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 2012 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 or amended standards and interpretations have not yet entered into force and are therefore not included in this annual report:

Amended IAS 1, *Præsentation af Årsregnskaber* (June 2012)

After the amendment, items presented in other comprehensive income must be grouped in items which, according to other standards, are later recycled from other comprehensive income to the income statement and items which are not later recycled, respectively.

The amendments come into force for financial years starting on or after 1 July 2012. The amendments have been adopted for use in the EU.

Management believes that application of the remaining 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 minority interests' proportionate share of the profit is included in the consolidated profit for the year and the comprehensive income for the Group and as a separate item under the 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 determined on the basis of each individual 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 attribut-

able 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 statements 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-based 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 for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit/loss for the year and classified directly as equity by 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 include 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 assurance 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 deducted from the cost 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 income and expense

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.

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

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 includes 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.

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 minimum 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 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
Technical 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 provision for bad debts. Impairment losses are assessed individually.

Prepayments

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

Pension liabilities 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 statutory 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 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 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 equivalents comprise cash less bank overdrafts that are an integral part of the cash management.

Segment information

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

Financial highlights and key ratios

The 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 (%) including goodwill	$\frac{\text{EBITDA} \times 100}{\text{Average invested capital}}$
Return on equity (%)	$\frac{\text{Profit for the year after tax} \times 100}{\text{Average equity}}$
Contribution ratio (%)	$\frac{\text{Contribution margin} \times 100}{\text{Revenue}}$
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$

Calculations of earnings per share and diluted earnings per share are specified in note 12.

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. Special risks for Topsil are described in “Special risks” on page 17 and in note 35 “Financial risks and financial instruments”.

Estimates and assumptions are re-assessed 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
 Management believes that in respect of the completed development projects which are usually amortised over a useful life of five years there is no evidence of impairment in addition to the amortisations made.

In the annual goodwill impairment test of ongoing development projects or in case of any indication of impairment requirements, 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 net 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 and property, plant and equipment
 Determining any need for impairment write-down of recognised intangible assets and property, plant and equipment 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 amounts of the Group’s intangible assets and property, plant and equipment were DKK 59.7 million and DKK 373.5 million respectively as at 31 December 2012. For a detailed description of discount rates etc., see note 13 “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. The carrying amount of the recognised tax assets concerning the subsidiary in Poland constituted DKK 2.9 million at 31 December 2012 which amount it is believed can be utilised 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 Group has considered whether it has reportable segments.

The Group's internal reporting to the Board of Directors and Management Board of the parent company is focused on the Group as a whole, except for sub-specification for the legal entities in Denmark and the group in Poland, respectively. Management believes that the legal entities meet the aggregation criteria as set out in IFRS 8.12, and the Topsil Group consequently has two segments: "production and sale of silicon ingots and wafers" and "property management."

Other segment information:

Specification of sales of products is stated below:

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
278,413	201,343	Sale of silicon ingots and wafers	270,912	341,714
0	0	Rent	15,151	15,307
5,224	2,468	Remelt	2,468	5,366
69	164	Other	1,036	5,052
283,706	203,975	Total	289,567	367,439

The distribution of revenue, assets and liabilities by activity at Group level:

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 (EBIT)	(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 for the year	120,645	5,071	125,716
Total liabilities	266,951	13,466	280,417

GROUP 2011			
DKK'000	Silicon	Property management	Total
Revenue	352,132	15,307	367,439
EBITDA	30,851	4,255	35,106
Depreciation, amortisation and impairment	(19,168)	(9,911)	(29,079)
Operating profit (EBIT)	11,683	(5,656)	6,027
Financial income	365	328	693
Financial expenses	(9,991)	0	(9,991)
Profit/(loss) before tax	2,057	(5,328)	(3,271)
Assets	515,101	86,394	601,495
Addition of property, plant and equipment for the year	99,585	3,360	102,945
Total liabilities	162,021	10,368	172,389

3. SEGMENT INFORMATION (continued)

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

Percentage of distribution of the revenue for the year	2012	2011
FZ-NTD	54	68
FZ-PFZ	12	9
FZ-HPS	6	5
CZ-EPI	19	14
CZ	9	4
Total:	100	100

Revenue by geographical market:

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
206,115	153,200	Europe	178,449	233,944
11,074	11,026	USA	19,663	20,995
66,517	39,749	Asia	91,464	112,500
283,706	203,975	Total	289,567	367,439

Information on significant customers:

Of the total consolidated revenue, DKK 108,205 thousand (2011: DKK 176,238 thousand) constitutes sales to three customers, of which two account for more than 10% of Group revenue. With the customers in question, long-term contracts have been concluded for the delivery of silicon wafers.

In 2011, three customers accounted for more than 10% of Group revenue.

Non-current assets distributed by physical location:

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
184,536	276,421	Denmark	276,421	184,536
159,987	94,704	Poland	181,608	167,653
344,523	371,125	Total	458,029	352,189

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	
2011	2012	DKK'000	2012	2011
1,659	1,800	Directors' fees	1,800	1,674
58,498	50,659	Wages and salaries	61,463	72,975
399	224	Bonuses for managerial employees	654	687
0	0	Bonuses for Management Board	0	0
2,032	968	Share-based payment	1,137	2,721
4,977	3,985	Pension contributions, defined contribution plan	3,985	5,684
749	916	Other social security costs	6,875	6,994
68,314	58,552	Total	75,941	90,735
113	97	Average number of employees (FTE)	358	383

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 2012, the parent company had 100 full-time employees (2011:112), while the Group had 362 (2011: 369) full-time employees.

Group and parent company

Remuneration of Board of Directors, Management Board and managerial employees

	Board of Directors		Management Board		Other managerial employees	
	2012	2011	2012	2011	2012	2011
Directors' fees	1,800	1,674	0	0	0	0
Wages and salaries	0	0	4,330	6,190	10,867	12,481
Bonuses for managerial employees	0	0	0	0	654	687
Bonuses for Management Board	0	0	0	0	0	0
Pension contributions	0	0	203	534	525	665
Share-based payment	0	0	428	821	709	1,900
Total	1,800	1,674	4,961	7,545	12,755	15,733

The fee to the Chairman of the Board for the current term amounts to DKK 500 thousand. (2011: DKK 500 thousand), Deputy Chairman DKK 350 thousand (2011: DKK 350 thousand) and ordinary members DKK 200 thousand each (2011: DKK 200 thousand). Furthermore, the chairman of the Audit Committee receives DKK 100 thousand (2011: DKK 100 thousand) and the remaining members of the Audit Committee each receive half this amount.

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

For the 2012 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 growth in the Group's pre-tax profit, calculated relative to the pre-tax profit according to the consolidated financial statements for the prior financial year. For the 2012 financial year, the EVP, Sales and Marketing, is 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 growth in the Group's pre-tax profit, calculated relative to the pre-tax profit according to the consolidated financial statements for the prior financial year.

Other managerial employees' bonuses are subject to individual targets.

5. PENSION SCHEMES

The parent company has entered into defined contribution plans only. The foreign subsidiaries have pension plans as determined by statutory requirements.

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
4,977	3,985	Pension contributions, defined contribution plan	3,985	5,684
4,977	3,985	Total	3,985	5,684

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. in so far as the amount that will eventually be paid to the employee is concerned.

6. SHARE-BASED PAYMENTS

In 2012, the Management Board and a number of managerial employees were granted warrants to subscribe for shares in the Group at a fixed strike price. The warrant plan is an equity-based share-based payment scheme. The value of the warrants is recognised in the income statement under staff costs on a straight-line basis from the grant date up to 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 01.01.2011	25,320	0.79
Granted during the financial year	3,686	0.83
Forfeited due to termination of employment	(1,172)	0.79
Exercised during the financial year	(8,025)	0.81
Lapsed during the financial year	0	0
Warrants granted at 31.12.2011	19,809	0.79
Warrants granted at 01.01.2012	19,809	0.79
Granted during the financial year	10,591	0.56
Forfeited due to termination of employment	0	0
Exercised during the financial year	0	0
Lapsed during the financial year	(19,809)	0.79
Warrants granted at 31.12.2012	10,591	0.56

(weighted average term to maturity is 964 days (2011: 130 days))

	2012	2011
Number of exercisable warrants at year end	0	0
Number of exercisable warrants at the release of the full-year profit announcement ('000)	0	18,914
Total fair value at 31 December for outstanding warrants (DKK '000)	1,906	0
Weighted average fair value per warrant	0.14	0.00
Weighted average strike price per warrant	0.56	0.79

In 2012, the fair value of warrants was recognised at DKK 1,137 thousand, against DKK 2,721 thousand in 2011.

6. SHARE-BASED PAYMENTS (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 no. (**)	Lapsed	Expired	Exercised	Yet to be exercised
2009	0.81	2011	9,565,620	0		1,965,750	7,599,870	0
2009	0.81	2011	9,565,620	1,232,359		2,773,472	8,024,507	0
2009	0.81	2012	9,565,620	1,022,279		10,587,899	0	0
2010	1.47	2011	984,222	0		984,222	0	0
2010	1.47	2012	984,222	0		984,222	0	0
2011	0.83	2012	3,685,420	0	1,172,180	2,513,240	0	0
2012	0.56	2015-2017	10,590,560	0		0	0	10,590,560
Total			44,941,284	2,254,638	1,172,180	19,808,805	15,624,377	10,590,560

(*) The warrants granted in the period 2009-2011 may be exercised during a six-week period after the release of the full year profit announcement.

(**) Adjustment of existing warrants scheme due to dilution at capital increase in 2010.

The fair value calculated at the grant is based on Black&Scholes' model for valuation of warrants including dilution.

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

	Granted in 2012	Granted in 2011
Weighted average share price at grant	0.44	0.83
Weighted average strike price	0.56	0.83
Volatility, first grant	55.9%	32.8%
Volatility, second grant	62.7%	-
Expected duration	3	1
Expected dividend per share	0	0
Risk-free interest rate	0.4%	2.4%
Warrants granted ('000)	10,591	3,685
Weighted average fair value per warrant	0.14	0
Total fair value (DKK '000)	1,906	0

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 will lapse.

6. SHARE-BASED PAYMENTS (continued)

In 2012, the following changes occurred in Management's holding of warrants:

No. of warrants	Holding 01.01.12	Exercised 2012	Expired 2012	Granted 2012	Holding 31.12.12
Management Board	8,050,571	0	8,050,571	7,579,870	7,579,870
Other managerial employees	11,758,234	0	11,758,234	3,010,690	3,010,690
Total	19,808,805	0	19,808,805	10,590,560	10,590,560

From 26 April 2015 until 26 April 2017, the remaining share options 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	
2011	2012	DKK'000	2012	2011
2,274	1,901	Amortisation, intangible assets	4,292	4,328
9,008	9,556	Depreciation, property, plant and equipment	22,548	24,751
0	0	Gains on the sale of assets	(132)	0
11,282	11,457	Total	26,708	29,079

8. INCOME FROM INVESTMENTS IN SUBSIDIARIES

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
0	(146,000)	Impairment	0	0
0	(146,000)	Total	0	0

During the year, Topsil tested its investments for impairment, resulting in a total impairment of DKK 146 million. See also note 16, "Investments in subsidiaries"

9. FINANCIAL INCOME

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
1,978	1,833	Interest from Group undertakings	0	0
306	35	Interest on bank deposits, etc.	488	693
4,657	0	Foreign exchange adjustments	0	0
6,941	1,868	Total	488	693

10. FINANCIAL EXPENSES

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
23	3,418	Interest on mortgages and bank loans	4,096	721
610	424	Interest incurred relating to finance lease liabilities	424	610
230	266	Other interest	266	230
0	(3,492)	Recognised in the cost of property, plant and equipment	(3,492)	0
863	616	Interest expenses	1,294	1,561
1,766	1,391	Fees, guarantees, etc.	1,828	1,766
0	1,242	Foreign exchange adjustments	1,094	6,664
2,628	3,249	Total	4,216	9,991

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 per month in the parent company.

11. TAX ON THE PROFIT/(LOSS) FOR THE YEAR AND DEFERRED TAX (GROUP)

GROUP

The current tax for the financial year was calculated at a tax rate of 25% for the years 2012 and 2011.

DKK'000	2012		2011	
Current tax	(661)		(12,508)	
Change in deferred tax including change in value	(6,375)		8,363	
Adjustment of current tax relating to prior years	7		598	
Total	(7,029)		(3,547)	
Tax on the profit/loss for the year can be explained as follows:				
Profit/(loss) before tax	(17,641)		(3,271)	
Tax at a rate of 25%	4,410	25%	818	25%
Effect of other tax rate in foreign undertakings	(559)	(3.2%)	(2,971)	(94.6%)
Tax base of non-deductible expenses	(2,411)	(13.6%)	(1,394)	(42.6%)
Adjustment of deferred tax relating to prior years	0	0%	(119)	(3.6%)
Value adjustment of deferred tax	(8,476)	(48.0%)	0	0%
Adjustment of current tax relating to prior years	7	0%	119	3.6%
Effective tax rate for the year	(7,029)	(39.8%)	(3,547)	(112.9%)

11. TAX ON THE PROFIT/(LOSS) FOR THE YEAR AND DEFERRED TAX (continued)

GROUP

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

	2012	2011
Temporary differences in tax assets and liabilities		
Deferred tax, net	(12,733)	(6,301)
– distributed on:		
Tax asset cf. balance sheet	2,923	10,497
Deferred tax, cf. balance sheet	(15,656)	(16,798)

DKK'000	2012	Deferred tax 01.01.2012	Recognised in income statement 2012	Foreign exchange adjustment 2012	Deferred tax 31.12.2012
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
Unused 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.

DKK'000	2011	Deferred tax 01.01.2011	Recognised in income statement 2011	Foreign exchange adjustment 2011	Deferred tax 31.12.2011
Intangible assets		(6,215)	(426)	259	(6,382)
Property, plant and equipment		(16,150)	381	1,360	(14,410)
Inventories		(1,432)	658	(101)	(872)
Trade receivables		(280)	9	29	(242)
Other payables		1,413	2,486	(226)	736
Temporary differences		(22,664)	3,108	1,321	(18,235)
Tax loss carry-forwards		7,392	5,255	(713)	11,934
Unused tax losses		7,392	5,255	(713)	11,934
Value adjustment		0	0	0	0
Total		(15,272)	8,363	608	(6,301)

11. TAX ON THE PROFIT/(LOSS) 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 2012 and 2011.

DKK'000	2012		2011	
Current tax	0		(11,979)	
Change in deferred tax	1,780		(437)	
Adjustment of current tax relating to prior years	8		119	
Total	1,788		(12,297)	
Tax on the profit/loss for the year can be explained as follows:				
Profit/(loss) before tax	(154,329)		46,251	
Tax at a rate of 25%	28,582	25.0%	(11,563)	(25.0%)
Tax base of non-deductible expenses, including depreciation of equity holding	(36,802)	(23.8%)	(734)	(1.6%)
Adjustment of deferred tax relating to prior years	0	0%	(119)	(0.3%)
Adjustment related to prior years	8	0.2%	119	0.3%
Effective tax rate for the year	1,788	1.2%	(12,297)	(26.6%)

DKK'000	2012	Deferred tax 01.01.2012	Recognised in income statement 2012	Deferred tax 31.12.2012
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
Unused tax losses		0	5,095	5,095
Value adjustment				
Total		(7,811)	1,780	(6,031)

DKK'000	2011	Deferred tax 01.01.2011	Recognised in income statement 2011	Deferred tax 31.12.2011
Intangible assets		(3,595)	(631)	(4,226)
Property, plant and equipment		(2,566)	(505)	(3,071)
Inventories		(1,708)	3	(1,705)
Trade receivables		24	(24)	0
Other provisions		0	799	799
Other payables		471	(79)	392
Temporary differences		(7,374)	(437)	(7,811)

12. EARNINGS PER SHARE

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
0.06	(0.29)	Earnings per share	(0.05)	(0.01)
0.06	(0.29)	Diluted earnings per share	(0.05)	(0.01)

The calculation of earnings per share is based on the following:

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
33,954	(152,541)	Earnings used in the calculation of earnings per share	(24,596)	(5,750)
33,954	(152,541)	Earnings used in the calculation of diluted earnings per share	(24,596)	(5,750)

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
527,992	528,114	Average number of shares issued	528,114	527,992
527,992	528,114	Average number of shares used to calculate earnings per share	528,114	527,992
20,981	10,591	Dilutive effect of outstanding subscription rights	10,591	20,981
548,973	538,705	Average number of shares used to calculate diluted earnings per share	538,705	548,973

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 capital increases are made, the no. of days between the capital increases is added, multiplied by the no. of shares in circulation during the relevant period. The sum is divided by 365.

13. INTANGIBLE ASSETS

GROUP

DKK'000	2012	Rights of use, etc.	Goodwill	Other intangible assets	Completed development projects	Development projects in progress	Total
Cost at 1 January 2012		14,559	16,636	1,114	38,669	8,568	79,546
Foreign exchange adjustments		1,253	1,432	88	465	0	3,238
Addition of assets developed in-house		0	0	0	0	9,206	9,206
Transfers		0	0	0	986	(986)	0
Disposals		0	0	0	0	0	0
Cost at 31 December 2012		15,812	18,068	1,202	40,120	16,788	91,999
Amortisation and impairment at 1 January 2012		(570)	0	(389)	(26,954)	0	(27,913)
Foreign exchange adjustment		(52)	0	(31)	(230)	0	(313)
Amortisation		(190)	0	(112)	(3,990)	0	(4,292)
Disposals		0	0	0	0	0	0
Amortisation and impairment at 31 December 2012		(812)	0	(532)	(31,174)	0	(32,518)
Carrying amount at 31 December 2012		15,000	18,068	670	8,946	16,788	59,472

DKK'000	2011	Rights of use, etc.	Goodwill	Other intangible assets	Completed development projects	Development projects in progress	Total
Cost at 1 January 2011		0	18,582	1,236	36,014	6,341	62,173
Foreign exchange adjustments		0	(1,946)	(122)	(108)	0	(2,176)
Addition of assets developed in-house		0	0	0	2,582	2,227	4,809
Assets held for sale reversed		14,559	0	0	0	0	14,559
Transfers		0	0	0	4,288	0	4,288
Disposals		0	0	0	(4,107)	0	(4,107)
Cost at 31 December 2011		14,559	16,636	1,114	38,669	8,568	79,546
Amortisation and impairment at 1 January 2011		0	0	(311)	(27,392)	0	(27,703)
Foreign exchange adjustment		27	0	36	158	0	221
Amortisation		(387)	0	(114)	(3,827)	0	(4,328)
Assets held for sale reversed		(210)	0	0	0	0	(210)
Disposals		0	0	0	4,107	0	4,107
Amortisation and impairment at 31 December 2011		(570)	0	(389)	(26,954)	0	(27,913)
Carrying amount at 31 December 2011		13,989	16,636	725	11,715	8,568	51,633

13. INTANGIBLE ASSETS (continued)

PARENT COMPANY

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

DKK'000	2011	Other intangible assets	Completed development projects	Development projects in progress	Total
Cost at 1 January 2011		56	34,980	6,341	41,377
Addition of assets developed in-house		0	2,573	2,227	4,800
Disposals		0	(4,107)	0	(4,107)
Cost at 31 December 2011		56	33,446	8,568	42,070
Amortisation and impairment at 1 January 2011		(56)	(26,941)	0	(26,997)
Amortisation		0	(2,274)	0	(2,274)
Disposals		0	4,107	0	4,107
Amortisation and impairment at 31.12.2011		(56)	(25,108)	0	(25,164)
Carrying amount at 31 December 2011		0	8,338	8,568	16,906

13. INTANGIBLE ASSETS (continued)

PARENT COMPANY

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 has a remaining term of 14 years. The most significant activities in 2012 related to own development of processes for the manufacturing of silicon crystals in new variants.

Goodwill

Goodwill has arisen 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. Previously, it was possible to calculate separate cash flows for the individual legal entities, for which reason the recoverable amount for 2011 was exclusively calculated for Topsil, Poland.

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 8.9% (2011: 10.4%). The discount factor is based on a risk-free interest rate of 2.9% (2011: 3.5%), 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 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 (2013-2017) and a terminal period. The average annual growth in revenue during the period is 14% and 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.

14. DEVELOPMENT COSTS

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
2,227	8,220	Development costs incurred	9,206	2,227
(2,227)	(8,220)	Development costs recognised as intangibles	(9,206)	(2,227)
0	0	Total	0	0

15. PROPERTY, PLANT AND EQUIPMENT

GROUP

DKK'000	2012	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Plant in progress	Total
Cost at 31 December 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	1,383	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 31 December 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			17,837			17,837

DKK'000	2011	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Plant in progress	Total
Cost at 1 January 2011		0	132,891	18,227	30,345	181,463
Foreign exchange adjustments		0	(6,237)	(78)	(1,860)	(8,175)
Additions		630	312	126	101,877	102,945
Transfers		7,383	19,485	335	(31,491)	(4,288)
Disposals		(22)	(1,201)	(1,049)	0	(2,272)
Assets held for sale reversed		57,443	9,485	723	204	67,855
Cost at 31 December 2011		65,434	154,735	18,284	99,075	337,528
Depreciation and impairment at 1 January 2011		0	(40,162)	(10,474)	0	(50,636)
Foreign exchange adjustment		439	1,667	93	0	2,199
Depreciation		(6,144)	(14,640)	(3,967)	0	(24,751)
Disposals		21	1,201	967	0	2,189
Disposal of assets held for sale reversed		(3,288)	0	0	0	(3,288)
Depreciation and impairment at 31.12.2011		(8,972)	(51,934)	(13,381)	0	(74,287)
Carrying amount at 31 December 2011		56,462	102,801	4,903	99,075	263,241
Of which assets held under finance leases		0	18,828	0	0	18,828

15. PROPERTY, PLANT AND EQUIPMENT (continued)

PARENT COMPANY

DKK'000	2012	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	99,829	99,829
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	173,290	289,563
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

DKK'000	2011	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Plant in progress	Total
Cost at 1 January 2011		0	74,981	15,570	12,588	103,139
Additions		0	0	0	86,814	86,814
Transfers		5,549	6,458	335	(12,342)	0
Disposals		0	(50)	(164)	0	(214)
Cost at 31 December 2011		5,549	81,389	15,741	87,060	189,739
Depreciation and impairment at 1 January 2011		0	(32,160)	(7,973)	0	(40,133)
Depreciation		0	(5,488)	(3,520)	0	(9,008)
Disposals		0	50	164	0	214
Depreciation and impairment at 31.12.2011		0	(37,598)	(11,329)	0	(48,927)
Carrying amount at 31 December 2011		5,549	43,791	4,412	87,060	140,812
Of which assets held under finance leases		0	18,828	0	0	18,828

16. INVESTMENTS IN SUBSIDIARIES

PARENT COMPANY

2011	2012	DKK'000
159,987	159,987	Cost at 1 January
0	80,547	Capital increases in subsidiaries
0	170	Addition warrants in subsidiaries
	(146,000)	Impairment
159,987	94,704	Cost at 31 December

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

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 present 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 10.4% which is based on a risk-free interest rate of 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 (2013-2017) and a terminal period. The average annual growth in revenue during the period is 1.5% during the terminal period.

At the balance sheet date, the carrying amount exceeded the present value of the cash-generating unit, implying that there is a need for write-down of the investment. Based on the assessment, an impairment write-down of DKK 146 million has been recognised. An impairment has been made of investments in the silicon segment.

	Domicile	Ownership interests 2012	Ownership interests 2012	No. of voting rights 2012 %	No. of voting rights 2011 %	Activity
Topsil Semiconductor Materials S.A.	Poland	100.00	100	100.00	100	Production and sale of silicon wafers to the semiconductor industry
Cemat'70 S.A.	Poland	77.6	52.9	77.6	52.9	Letting of commercial properties
W133 Sp. Z.O.O.	Poland	100.00	-	100.00	-	Holding of rights

Topsil Semiconductor Materials S.A. holds the ownership interest in Cemat'70 S.A., while Cemat'70 S.A. holds the ownership interest in W133 Sp Z.O.O.

17. OTHER RECEIVABLES, NON-CURRENT ETC.

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
22,855	18,147	Prepayment of goods	18,147	22,855
2,250	2,250	Deposit, rent	2,250	2,250
1,713	1,719	Deposit, finance leases	1,719	1,713
26,818	22,116	Total	22,116	26,818

Prepayment of goods is adjusted on a current basis as the Group buys the volumes agreed for the period 2012-2017.

18. INVENTORIES

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
44,498	53,097	Raw materials and consumables	64,756	58,410
60,084	38,498	Work in progress	48,417	66,252
0	0	Manufactured goods and goods for resale	45,837	21,676
104,582	91,595	Total	159,010	146,338

There were no inventory writedowns in the parent company in either 2011 or in 2012. Inventory writedowns in the Group totalled DKK 9,150 thousand in 2012, against DKK 6,215 thousand in 2011.

19. TRADE RECEIVABLES

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
51,283	31,558	Trade receivables	50,493	71,190
51,283	31,558	Total	50,493	71,190
(520)	(520)	Impairment losses included in the above receivables and recognised in Other external expenses	(520)	(520)
50,763	31,038	Total	49,973	70,670

19. TRADE RECEIVABLES (continued)

Overdue receivables

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
5,591	3,918	Overdue by up to 1 month	10,391	10,618
592	381	Overdue by 1 to 3 months	838	794
321	275	Overdue by more than 3 months	1,497	685
6,504	4,574	Total	12,726	12,097

Overdue receivables distributed by receivables not written down.

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
5,717	3,949	Europe	9,607	7,248
347	549	USA	1,431	4,363
440	76	Asia	1,688	486
6,504	4,574	Total	12,726	12,097

A provision account is used 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	
2011	2012	DKK'000	2012	2011
480	520	Provision account, 1 January	520	480
0	0	Losses during the year	0	0
0	0	Reversed provisions	0	0
40	0	Provisions for the year to cover losses	0	40
520	520	Provision account, 31 December	520	520

20. OTHER RECEIVABLES

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
1,152	1,249	VAT on exports and prepaid VAT	1,249	1,152
3,537	620	Other	3,591	6,540
4,689	1,869	Total	4,840	7,692

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

PARENT COMPANY			GROUP	
2011	2012	t.kr.	2012	2011
14,726	1,818	Cash holdings and bank deposits	10,905	23,482
14,726	1,818	Total	10,905	23,482

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

22. SHARE CAPITAL

The share capital consists of 528,114,157 shares with a denomination of DKK 0.25 each. Shares are not divided into classes, and there are no special rights related to the shares.

No. of shares	2012	2011
Number of shares at 1 January	528,114,157	520,089,650
Capital increase through cash payment	0	8,024,507
Number of shares at 31 December	528,114,157	528,114,157
DKK'000		
Denomination, nom. value DKK 0.25	132,029	130,022
Capital increase through cash payment	0	2,007
Total	132,029	132,029

23. OTHER RESERVES

The translation reserve comprises all foreign exchange adjustments as a result of translation of the financial statements for entities with other functional currencies than Danish kroner.

The reserve for share-based payment comprises the accumulated value of vested warrant plans (equity-based plans) 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 rights or the rights expire without being exercised.

24. OTHER CREDIT INSTITUTIONS AND BANK DEBT

PARENT COMPANY			GROUP	
2011	2012	t.kr.	2012	2011
20,000	155,000	Debt to credit institutions	165,473	30,033
20,000	155,000		165,473	30,033
The debt falls due as follows:				
20,000	30,000	Within one year	40,473	30,033
0	125,000	Between 1 and 2 years from the balance sheet date	125,000	0
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 after the balance sheet date	0	0
20,000	155,000		165,473	30,033
Other debt to credit institutions and bank debt is recognised in the balance sheet as follows:				
20,000	30,000	Current liabilities	40,473	30,033
0	125,000	Non-current liabilities	125,000	0
20,000	155,000	Total	165,473	30,033

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	2014	Floating	Jybor+2.65%	125,000
Money market facility, parent company		DKK	2013	Floating	CIBOR3 +3,4%	30,000
31.12.2012						165,473

2011:

Name	Company	Currency	Expiry	Fixed or floating interest rate	Interest rate % p.a.	Fair value, DKK '000
Overdraft facility	Cemat - Poland	PLN	2012	Floating	Wibor+1.5%	10,033
Money market facility, parent company		DKK	2014	Floating	Jybor+1.5%	20,000
31.12.2011						30,033

25. 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 four 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	
	2012	2011	2012	2011
Finance lease liabilities fall due as follows:				
Within 1 year of the balance sheet date	3,074	2,688	3,074	2,688
Between 1 and 5 years from the balance sheet date	4,951	8,236	4,951	8,236
Efter 5 år fra balancedagen	0	0	0	0
At 31 December	8,025	10,924	8,025	10,924
Amortisation premium for future recognition	442	875	442	875

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	2013	Floating	3,074	3,074
Lease liability	2014	Floating	4,951	4,951
31.12.2012			8,025	8,025

	Expiry	Fixed or floating interest rate	Present value of minimum lease payments, DKK '000	Fair value, DKK '000
Lease liability	2012	Floating	2,688	2,688
Lease liability	2013-2014	Floating	8,236	8,236
31.12.2011			10,924	10,924

26. OTHER NON-CURRENT LIABILITIES

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
0	0	Pensions	470	728
0	0	Other liabilities	2,189	275
0	0	Total	2,659	1,003

The Group's pension liability concerns a statutory pension scheme in a foreign subsidiary. DKK 1,265 thousand concerning lease commitments pertaining to assets under construction is recognised in other liabilities. These assets are completed in February 2013 when the Company will begin to make instalments.

27. TRADE CREDITORS

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
		Amounts owed to suppliers for goods and services		
41,029	25,469		49,994	65,987
41,029	25,469		49,994	65,987

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

28. PROVISIONS

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
2,018	3,198	Provisions, 01.01	3,198	2,018
(1,463)	(2,643)	Used during the year	(2,643)	(1,463)
2,643	1,400	Provisions made during the year	1,400	2,643
3,198	1,955	Provisions, 31.12	1,955	3,198

29. OTHER PAYABLES

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
443	231	Payroll liabilities, tax liabilities, accrued social security contributions, etc.	692	595
6,551	7,071	Holiday pay liabilities etc.	8,440	7,530
1,247	1,291	VAT and other tax liabilities	1,291	1,247
4,994	5,038	Other accrued expenses	6,998	8,085
13,235	13,631	Total	17,421	17,457

The carrying amount of payables in respect of payroll, income tax, social security contributions, holiday pay, etc., VAT and other indirect taxes, income tax payable and other accrued expenses payable correspond 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.

30. CHANGE IN NET WORKING CAPITAL

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
(31,209)	12,987	Change in inventories	(12,672)	(37,300)
(366)	38,586	Change in receivables	26,410	2,411
9,519	(24,395)	Change in trade creditors and other payables	(23,978)	18,328
(50,317)	(67,977)	Change in receivables at subsidiary	0	0
(72,373)	(40,799)	Total	(10,240)	(16,561)

31. OPERATING LEASE LIABILITIES

The parent company leases cars and some operating equipment on operating leases. The average lease period is 36 months. All lease contracts have a fixed instalment profile and none of the contracts comprise conditional lease clauses apart from price regulation clauses based on public indices. Lease contracts are non-terminable during the lease period agreed on, but may be prolonged on new terms.

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
		Non-cancellable operating leases are specified as follows:		
807	413	0-1 years	1,129	1,058
551	446	1-5 years	1,319	703
0	0	More than 5 years	0	0
1,358	858	Total	2,448	1,761

For the mother company, an amount of DKK 876 thousand for 2012 (2011: DKK 837 thousand) relating to operating leases has been recognised in the income statement for 2012.

For the Group, an amount of DKK 1,294 thousand for 2012 (2011: DKK 953 thousand) relating to operating leases has been recognised in the income statement for 2012.

32. CHARGES

In connection with the conclusion of a new bank agreement ultimo 2012, a mortgage for DKK 25 million was issued as security for the loan. Other mortgages were cancelled.

33. 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 Cemmat Silicon S.A.

34. OTHER CONTRACTUAL COMMITMENTS

Raw material suppliers

In 2010, the Group concluded a new long-term contract for polysilicon. The contract covers the period from 2012 up to and including 2015. On an overall basis, the new contract was concluded on more attractive commercial terms as it fixes annual minimum and maximum volumes and the possibility of increasing volumes year after year instead of a uniform maximum for the entire period. Also, the contract introduces a new raw material product for use in the FZ-PFZ market and collaboration on the development of a polysilicon raw material for FZ products with a diameter larger than that previously supplied.

The Group concluded a long-term contract in 2008 to ensure supplies of polysilicon for the period 2011–2017. 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 2012 to 2017.

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

Other

A lease for buildings is terminable by giving 6 months' notice and the liability amounts to DKK 1.0 million.

35. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
50,763	31,038	Trade receivables	49,973	70,670
79,641	59,575	Intra-group receivables	0	0
4,689	1,869	Other receivables, current	4,840	7,692
3,963	3,969	Other receivables, non-current	3,969	3,963
14,726	1,818	Cash and cash equivalents	10,905	23,482
153,782	98,269	Loans, advances and receivables	69,687	105,807
20,000	155,000	Debt to credit institutions, current	165,473	30,033
0	5,484	Debt to subsidiaries	0	0
2,688	3,074	Finance lease liabilities, current	3,074	2,688
8,236	4,951	Finance lease liabilities, non-current	4,951	8,236
41,029	25,469	Trade creditors	49,994	65,987
13,235	13,628	Other payables	17,421	17,457
85,188	207,606	Financial liabilities, measured at amortised cost	240,913	124,401

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 in-house business procedures are being updated. The Group applies a low-risk profile and for this reason currency, interest rate and credit risks arise 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 to manage its cash budgeting covering a period of one year.

Currency risks

Currency risks comprise the risk of loss (or the possibility of gain) when exchange rates change. Currency risks arise when income and expense items in foreign currency are recognised in the income statement or from value adjustment of balance sheet items denominated in other currencies.

A substantial part of the Group's sales takes place in USD and EUR. Raw materials etc. are also typically purchased in USD and EUR, whereas other cost items are typically purchased 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.

The Group's currency risk in connection with fluctuations in EUR/DKK is considered immaterial.

Income statement

Statement of comprehensive income

Cash flow statement

Balance sheet

Statement of changes in equity

Notes

35. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (continued)

GROUP

Unhedged net position at balance sheet date

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)

2011	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	2,888	31,176	(20,379)	13,685	0	13,685
EUR	28,640	35,512	(41,476)	22,676	0	22,676
GBP	0	89	(25)	64	0	64
NOK	0	0	(787)	(787)	0	(787)
JPY	0	558	(834)	(276)	0	(276)
PLN	8,756	5,962	(30,145)	(15,427)	0	(15,427)
DKK	9,989	5,065	(58,204)	(43,150)	0	(43,150)
Other currencies	0	0	(1,072)	(1,072)	0	(1,072)
31.12.2011	50,273	78,362	(152,922)	(24,287)	0	(24,287)

	2012	2011
Equity sensitivity to exchange rate fluctuations (DKK '000)		
Impact if the USD exchange rate were DKK 0.50 lower than the actual rate	300	(1,200)
Impact if the PLN exchange rate were DKK 0.20 lower than the actual rate	2,600	1,800
Profit sensitivity to exchange rate fluctuations (DKK '000)		
Impact if the USD exchange rate were DKK 0.50 lower than the actual rate	300	(1,200)
Impact if the PLN exchange rate were DKK 0.20 lower than the actual rate	2,600	1,800

35. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (continued)

PARENT COMPANY

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		167	(142)	25	0	25
NOK			(545)	(545)	0	(545)
JPY	10	30	0	40	0	40
PLN		(68)	(5,484)	(5,552)	0	(5,552)
DKK	(970)	4,167	(169,029)	(165,832)	0	(165,832)
Other currencies			(6)	(6)	0	(6)
31.12.2012	23,934	94,743	(228,795)	(110,118)	0	(110,118)

2011	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	61,523	14,636	(20,379)	55,780	0	55,780
EUR	50,200	35,443	(32,079)	53,564	0	53,564
GBP	0	89	(25)	64	0	64
NOK	0	0	(787)	(787)	0	(787)
JPY	0	219	(161)	58	0	58
DKK	9,370	5,684	(58,204)	(43,150)	0	(43,150)
Other currencies	26	0	(1,072)	(1,046)	0	(1,046)
31.12.2011	121,119	56,071	(112,707)	64,483	0	64,483

	2012	2011
Profit sensitivity to exchange rate fluctuations (DKK '000)		
Impact if the USD exchange rate were DKK 0.50 lower than the actual rate	(4,300)	(5,100)
Equity sensitivity to exchange rate fluctuations (DKK '000)		
Impact if the USD exchange rate were DKK 0.50 lower than the actual rate	(4,300)	(5,100)

Interest rate risk

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

Interest rate risks (Group)	2012	2011
Profit sensitivity to exchange rate fluctuations (DKK '000)		
Impact if the USD exchange rate were DKK 0.50 lower than the actual rate	+/- 1,600	+/- 50
Equity sensitivity to interest rate change (DKK '000)		
Impact of an effective interest rate of +/- 1%	+/- 1,600	+/- 50

35. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (continued)

Interest rate risks	PARENT COMPANY	
	2012	2011
Profit sensitivity to exchange rate fluctuations (DKK '000)		
Impact if the USD exchange rate were DKK 0.50 lower than the actual rate	+/- 1,500	+/- 50
Equity sensitivity to interest rate change (DKK '000)		
Impact of an effective interest rate of +/- 1%	+/- 1,500	+/- 50

Credit risks

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 present and future expected commitments to the Group.

The primary credit risk of the Group is associated with trade receivables. It is believed that there are no special credit risks related to trade receivables as the Group took out debtor insurance on selected debtors in 2010. For the parent company, debtors in the total amount of DKK 21.3 million were insured by 31 December 2012 (2011: DKK 33.7 million). For the Group, debtors in the total amount of DKK 21.3 million were insured by 31 December 2012 (2011: DKK 41.4 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 adjust its capital structure on an ongoing basis. Management believes that the financing of the Group's future operations will be in place with the existing capital resources and cash flows from operating activities. See also "Liquidity and Capital Resources" below.

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.

Equity as a percentage of total equity and liabilities at the end of 2012 was 59.1% (2011: 71.3%) in the parent company, and this reduction was mostly driven by the extensive investment programme and the related increased debt. The realised return on equity for the Group for 2012 was (6%) (2011: (2%)).

It is the Group's policy that the shareholders should obtain a return on their investment in the form of a price increase and a dividend that exceeds a risk-free investment in bonds.

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

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
20,000	155,000	Credit institutions/bank debt	165,473	30,033
(14,726)	(1,818)	Cash and cash equivalents	(10,905)	(23,482)
(2,250)	(2,250)	Other non-current receivables	(2,250)	(2,250)
3,024	150,932	Net interest-bearing debt	152,318	4,301
476,357	324,953	Equity	405,806	429,106
0.01	0.46	Financial gearing	0.38	0.01

The development of the company's gearing was mostly driven by the extensive investment programme and the related increased debt.

35. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (continued)

Liquidity and capital resources

At Group level, the Company had free cash flows of DKK 10.6 million and unused bank overdraft facilities of DKK 25.0 million as at 31 December 2012, of which DKK 3.4 million derived from Cemat'70 S.A.

Topsil renewed an agreement with its bankers at the end of the year, involving an extension of existing facilities and a temporary credit facility commitment. The agreement was set up as a committed corporate loan for up to DKK 240 million distributed on operating, guarantee and plant facilities.

Of the total credit facilities, DKK 185 million will run until March 2014 and a temporary DKK 55 million facility will run until the end of 2013. If during 2013 it is assessed that there is a need to extend the loan facility, Management will initiate negotiations with the bankers with a view to renewing the agreement in due time. Management believes a renewal will be possible. The corporate loan is subject to covenants relating to the Group's future operating budget and balance sheet budget.

Based on the 2013 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 measures.

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 Company's capital resources. Management believes that any negative deviations in its operations in respect of budgeted cash flows can be timely countered through cash flow-enhancing activities.

36. FEE FOR AUDITORS APPOINTED BY THE GENERAL MEETING

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
550	430	Deloitte, audit of annual report	719	855
67	127	Deloitte, tax advice	127	67
122	3	Deloitte, assurance engagements other than audits	3	122
277	485	Deloitte, non-audit services	568	1,004
1,016	1,045	Total	1,417	2,048

37. RELATED PARTIES

The Group has no related parties exercising control.

The Group has the following related parties:

- Topsil Semiconductor Materials S.A., subsidiary in Polen
- Cemat'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 Group had transactions with the following related parties in 2012:

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

38. TRANSACTIONS WITH RELATED PARTIES

PARENT COMPANY			GROUP	
2011	2012	DKK'000	2012	2011
1,985	2,055	Rent, Ejendomsaktieselskabet Bangs Gård	2,055	1,985
61,130	85,819	Subsidiaries, sale of goods	0	0
112,060	114,293	Subsidiaries, purchase of goods	0	0
1,978	1,833	Subsidiaries, interest income	0	0
177,153	204,000	Total	2,055	1,985

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	
2011	2012	DKK'000	2012	2011
2,250	2,250	Deposit, Ejendomsaktieselskabet Bangs Gård	2,250	2,250
(270)	(230)	Rent, etc., Ejendomsaktieselskabet Bangs Gård	(230)	(270)
80,195	18,616	Subsidiaries, lending	0	0
0	40,959	Subsidiaries, receivables	0	0
(554)	(5,484)	Subsidiaries, payables	0	0
81,621	56,111	Total balance	2,020	1,980

39. 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, DK-6701 Esbjerg, Denmark	73,811,707	18,452,927	14
SmallCap Danmark Toldbodgade 53 1253 Copenhagen K, Denmark	26,633,615	6,658,404	5

40. 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	
	2012	2011
Jens Borelli-Kjær, Chairman	272	272
Eivind Dam Jensen (EDJ-Gruppen), Deputy Chairman	18,453	17,897
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	5	5
CEO, Kalle Hvidt Nielsen	105	N/A
Jørgen Bødker, EVP, Sales & Marketing	810	810
Total	19,809	19,148

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

41. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after the balance sheet date.

42. APPROVAL OF THE ANNUAL REPORT FOR PUBLICATION

The Board of Directors has approved this annual report for publication at a board meeting held on 20 March 2013. The annual report will be presented to the shareholders of the parent company for approval at the annual general meeting to be held on 22 April 2013.

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	An electrical component is a device usually mounted in a "case" designed to have particular electrical properties. 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.
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.

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